

Pension Fund Business Plan 2016/17

Report of the Strategic Finance Director

Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require Pension Funds to include within their Statement of Investment Principles (SIP), details of compliance with the six updated Myners principles. Two of these Principles, number 1, “Effective Decision Making” and number 4 “Performance Assessment” are linked to the preparation of a Business Plan.

Report

The Myners “Effective Decision Making “ principle requires the preparation of a Business Plan covering certain standards and specific areas.

Firstly, for the Fund as a whole, the identification of: major milestones; key targets and their measurement; plus financial estimates for investment and administration.

Secondly, for the Pension Committee, setting out expectations of its own performance, including attainment of standards in CIPFA’s knowledge & skills framework, achievement of required training outcomes and achievement of administrative targets.

The Business Plan for 2016/17, which was approved by the Pension’s Committee at it’s meeting in February 2016 is attached with this report.

Recommendation

The Board is asked to note the Business Plan for 2016/17 and consider which of the review reports it wishes to consider.

Contact Officer

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Gloucestershire Local Government Pension Fund

Business Plan 2016-17

Introduction

This Business Plan has been prepared in accordance with the Department for Communities & Local Government (CLG) best practice guidance relating to the Myner's Principles for the governance of Pension Funds.

These best practice principles for Business Plans can be split into two parts. Firstly, for the Fund as a whole, the identification of: key issues; major milestones; targets and their measurement; plus financial estimates for investment and administration. Secondly, for the Pension Committee, setting out expectations of its own performance, including attainment of standards in the Chartered Institute of Public Finance & Accountancy's (CIPFA's) knowledge & skills framework, achievement of required training outcomes and achievement of administrative targets

Background

As at 31st December 2015, the Gloucestershire Local Government Pension Scheme (LGPS) Fund had approximately 50,400 members consisting of 18,500 active, 17,800 deferred and 14,100 retired (pensioner/dependant) members. There are 252 employer bodies in the Fund and 185 of these have active contributing members. The value of investment assets under management at 31st December 2015 was £1.669 billion.

The Pension Committee is responsible for the proper administration of all aspects of the Fund and has been delegated this authority by the County Council, as Administering Authority of the Fund.

Key Issues to be considered by the Pension Committee

The Committee aims to ensure the maximising of investment returns over the long term by adherence to the investment strategy and agreed asset allocations within a level of risk agreed by the Pension Committee. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance when the Fund Managers meet with the Committee, and regularly reviewing the risk register. The Committee also have to ensure there are sufficient assets readily available over the long term to meet all Fund liabilities.

There are also a number of key policy and strategy documents which the Local Government Pension Scheme (LGPS) Regulations require to be produced and these need to be kept under regular review. These can accessed on the County Council's web site (www.gloucestershire.gov.uk/pensionsinvestments) and are listed below:

Funding Strategy Statement

This sets down the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies key risks and controls facing the Fund and includes details of employer contribution rates following the Fund's triennial valuation.

Statement of Investment Principles

This document is prepared to reflect the reporting requirements as detailed in the LGPS Management and Investment of Funds Regulations 2009 and identifies the investment responsibilities of the various parties involved, e.g. Pension Committee, Officers, Investment Managers, Custodian, Investment Advisor. It also details the Fund's investment policies and asset allocation as well as its compliance with the six Myners' investment principles. These six principles cover: Effective Decision Making; Clear Objectives; Risk and Liabilities; Performance Assessment; Responsible Ownership; and Transparency and Reporting.

However if, following the consultation on Investment Reform Criteria the LGPS Management and Investment of Funds Regulations 2009 are amended as proposed, the Statement of Investment Principles will be replaced by an Investment Strategy Statement.

This Investment Strategy Statement aims to reflect the new approach to the pooling of investments, and to ensure that approaches to risk are clearly specified by each fund.

Communications Strategy

This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers as well as methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity.

Governance Compliance Statement

The LGPS Regulations require Administering Authorities to prepare a written statement setting out their compliance with best practice governance principles. These best practice principles are grouped within eight categories and are listed within the statement. The Fund's compliance against each of these principles is also detailed, including evidence of compliance and, if appropriate, reasons if there is not full compliance.

Governance Policy Statement

This document details the arrangements put in place by the Administering Authority for the administration of the Pension scheme. This will include the terms of reference of the Pension Committee and the appropriate governance arrangements which will reflect the eight categories of best practice principles as outlined in the Governance Compliance Statement.

The timetable for consideration of all these key issues is detailed in Appendix A.

Targets & Major Milestones for the Pension Fund in 2016/17

The major targets and milestones for 2016/17 are detailed below.

<u>Task</u>	<u>Measure of Performance</u>
Publish a new Investment Strategy Statement by 01/10/16	Meet specified time scales
Submit final detailed pooling submission to the DCLG by 15/07/16	Meet specified time scales
Pension Fund Accounts completed by 30/06/16	Closedown timetable
Action any DCLG requirements re future structure of the LGPS, including investments	Meet specified time scales
Respond to requests from the Scheme Advisory Board	Meet specified time scales
Issue the annual benefits statements to all members of the fund by 31 August 2016	Meet specified time scales
Confirm content of 2015/16 Annual Report	Agreed by Committee Aug 2016
Accounts agreed by external auditor 30/09/16	No qualification of a/c's by Auditor
In house training day for Committee plus Board	Relevance of topics covered
Annual Pension Fund Report printed by 31/10/16	Discussed at Annual Meeting

Pension Fund Financial Estimates

The costs of operating the Gloucestershire Pension Fund are borne by the Fund (and not by the County Council). These estimated costs for 2016/17 are shown below and are split between "Investments, Accounting & Financial Management" and "Scheme Administration". For comparison purposes the previous year's estimates are also shown.

The Fund takes part in the annual CIPFA Benchmarking of LGPS Pension Administration costs and is currently (and has consistently been) in the lowest cost quartile when compared with other LGPS Funds. The administration cost per member at the Gloucestershire Fund is £13.45 compared to an average of all the benchmarked LGPS Funds of £19.17.

"Investments, Accounting & Financial Management" includes the cost of Fund Managers and other external costs as well as the internal costs of producing and maintaining the Fund's accounting records and statements. "Scheme Administration" includes the internal costs of dealing with the Fund's members and employers in relation to current/future benefits and compliance with scheme regulations, as well as external costs such as IT and actuarial costs in supporting Fund administration and the Triennial Valuation.

ESTIMATES	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Investments, Accounting & Financial Management				
Staff costs	260		320	
Other internal costs	30		30	
External Fund Manager fees	5,430		5,710	
Other external costs	220		260	
Sub Total of Investments Costs		5,940		6,320
Scheme Administration including Member Records & Benefits				
Staff costs	570		630	
Other internal costs	260		260	
External costs	250		370	
Sub Total of Administration Costs		1,080		1,260
Total		7,020		7,580

The Chief Financial Officer will keep under review the level of internal and external resources required to enable the Committee to carry out its functions effectively and will advise of any recommended actions to put right any deficiencies or to anticipate any changing requirements for the future.

Training for the Pension Committee and supporting officers

CIPFA have produced guidance on the knowledge and skills committee members and fund officers need to have when involved in the work of the Pension Fund committee.

These link to the Myners principles. In particular, Principle 1 'effective decision making' states:

Administering Authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor implementation; and
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The CIPFA *Knowledge and Skills Framework* identifies those elements pension fund committee members should have in order to collectively fulfil their effective decision making role.

The Committee recognises the importance of training for its members and for its officers, who advise and support the Committee. The Committee have undertaken to attain the standards laid down in CIPFA's knowledge and skills framework.

The Committee's expectations on training and other areas of performance are detailed below. In the context of the forthcoming pooling of investments, the opportunities for the provision of training on a regional basis will be explored.

To complete an annual assessment on training needs for all members of the Pension Committee based on the knowledge and skills framework. To use the results of the assessment to identify areas within the framework where knowledge and skill levels need to be improved.

In addition, the Committee have agreed individuals should carry out a minimum of 1 days training each year via any combination of the following: - attendance on courses/conferences/seminars; reading briefing notes/policy documents; reading and discussing reports at Pension Committee.

Also, Committee members are expected to attend all 3 days of the LGE Pensions Fundamentals course, which covers benefits, fund administration and investments. The course is designed to help ensure compliance with the Myners principle on "Effective Decision Making". Attendance on all 3 days of this course should take place as soon as possible, but must be within the first three years of joining the Committee, and for officers, within the first year of supporting the Committee.

Administrative Targets for the Committee

Members to attend at least 60% of Pension Committee meetings each year.

Draft committee minutes to be issued within two months of a meeting

Committee papers to be sent out 5 working days before a meeting.

To regularly review and agree changes to strategy/policy documents. All strategy/policy documents will be considered by Committee at least every two years, even if no changes are recommended.