

Pension Panel	
27 January 2020	Part I
Business Plan Update	
Report by Director of Finance and Support Services	

Summary

The Pensions Panel approved its Business Plan for 2019/20 when it met on 29 April 2019.

The Panel will receive an update on progress against the Business Plan objectives, details impact on risk (where applicable) and proposes actions each quarter.

Recommendation(s)

- (1) That the updates to the Business Plan are noted.

Proposal

1. Background and Context

- 1.1 The Business Plan sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.
- 1.2 The Pensions Panel approach, historically, has been to review its business plan annually at the start of the year and consider the risks faced by the Fund. A report based on any emerging key business issues, any issue with the highest levels of risk identified, any area of concern with administration performance or any other matter the Director of Finance and Support Services wishes to bring to the attention of the Panel is then provided to the Panel each quarter.
- 1.3 The Fund's overarching objectives are set out below:
 - **Governance:** Act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, and well based, ensuring sound governance, risk management and compliance and that the management of the Fund is undertaken by people who have the appropriate knowledge and expertise.
 - **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priorities given the preference to keep employer contribution rates are reasonably stable where appropriate.

- **Administration and Communication:** Deliver a high quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

2. Update on Business Plan Priorities – Q3

2.1 The table below provides an update on the Business Plan Priorities for 2019/20.

	Area	Update
a)	Pension Administration (including Employer data quality)	<p>Performance has improved following ring-fencing of case work and stabilisation of work volumes.</p> <p>A data improvement plan has been developed by the Pension Fund in consultation with the administration team and its Actuary. It is anticipated that this will be delivered over a period to October 2020.</p> <p>See Agenda Item 7.</p>
b)	Reconciliation to HMRC of GMP (Guaranteed Min Pension)	<p>The progress against this is largely driven by HMRC response times.</p> <p>Further reporting has been requested from the administration team to allow the specialist GMP team to review outstanding queries.</p> <p>The current indication is that the reconciliation work should complete in late April 2020.</p>
c)	Annual Report and Accounting	<p>Preparation work is underway for the 2019/20 Financial Statements and officers are attending the relevant CIPFA training events to ensure the accounts reflect the latest guidance.</p> <p>EY (Ernst & Young) undertook pre-audit testing in early January.</p> <p>A report will be prepared for Regulation, Audit and Accounts Committee (RAAC) for their 23 March meeting which will cover the closedown and audit plan in preparation for the draft accounts being presented on 20 July 2020.</p>
d)	GDPR	<p>The County Council currently has a Data Sharing Agreements with the majority of the Fund employers. It is proposed that the need to complete the remaining Agreements are escalated within the pension's team with a target for that all Data Sharing Agreements are completed by 31 March 2020.</p>

e)	Investment Strategy	<p>Hymans Robertson has been commissioned to assist the Pension Panel on their due diligence for a potential infrastructure and / or private debt funds. See Agenda Item 15.</p> <p>Officers are continuing to work with Link and the ACCESS Support Unit on sub-fund investment options for its liquid portfolio. See Agenda Item 17.</p>
f)	Working collaboratively on the ACCESS Pool	The ACCESS Joint Committee met on 9 December 2019. See Agenda Item 16.
g)	ESG	<p>The Panel received training on Environmental, Social and Governance considerations following its October 2019 meeting.</p> <p>It is proposed that a special Pension Panel meeting is convened (date to be confirmed).</p>
h)	Custodian transition	Complete.
i)	2019 valuation preparation	The valuation project remains on track. Employer meetings were held in October and November 2019 to provide initial results and employer result schedules are now being provided. The Rates and Adjustment certificate must be published by 31 March 2020, with rates effective from 1 April. See Agenda Item 8.
j)	Work by the Scheme Advisory Board	<p>Phase II of the Scheme Advisory Board's Good Governance work has been published, and initial comments invited by February 2020.</p> <p>The Scheme Advisory Board has also published draft Guidance on Responsible Investment. See Agenda Item 16.</p>

3. Other Priorities Q3

Competition and Market Authority's Investigation into Investment Consultancy and Fiduciary Management

- 3.1. The Pension Panel received an update on the Competition and Market Authority's investigation into the investment consultancy and fiduciary management market following a referral made by the Financial Conduct Authority (FCA) in September 2017.
- 3.2. The CMA published its final report in December 2018 and concluded that there was an adverse effect on competition in the investment consultancy and fiduciary management market. It found low levels of engagement by trustees when choosing and monitoring their investment consultant and low levels of tendering when first moving into fiduciary management.

- 3.3. The final report set out two remedies via the Order (published in October 2019)
- to tender for fiduciary management services when > 20% of the Scheme assets are delegated
 - to set strategic objectives for providers of investment consultancy services.
- 3.4. As the duties that apply to trustees took effect from December 2019 the Pension Panel agreed to delegate the agreement of strategic objectives to the Director of Finance and Support Services, in consultation with the Chairman. Officers have sought legal advice and the objectives agreed are attached in Appendix 1.

Constitutional Changes relating to Pension Matters

- 3.5. Officers have undertaken a minor technical review of the Constitution around the County Council’s pensions responsibilities. Minor changes to the terms of reference of two committees (Governance Committee and Performance and Finance Select Committee) and the Pensions Panel have been proposed to help clarify their roles and responsibilities on pensions matters.
- 3.6. This will be considered by Governance Committee when they meet on 20 January 2020.

4. Risks

- 4.1. The risk monitor is included in Appendix 2.

5. Training

- 5.1. A Training Strategy has been established to aid the Pension Panel and Pension Advisory Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.
- 5.2. Training completed by the Panel and appropriate future training events are shown in Appendix 3.

Factors taken into account

6. Consultation

- 6.1. n/a

7. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
Knowledge and understanding of the Board and Panel members may not comply with the requirement to have the	Develop, put in place and monitor training register with members of the Pension Panel and also the Board. The training can be collaborative between the Pension Board

Risk	Mitigating Action (in place or planned)
appropriate knowledge and understanding.	and the Pensions Panel to share learning and knowledge.
Pension Fund accounts not accurately maintained.	Plan to close down accounts with timetable. Ensure staff are trained appropriately. Maintain a good working relationship with the Actuary and auditors. Involvement with CIPFA resulting in best practice being adopted. Quality assurance of the accounts included within the timetable
The Pension Fund does not provide a clear and suitable investment strategy for Fund managers to follow	Strategic asset allocation adopted by the Fund Managers is considered by the Pensions Panel and the fund's independent adviser, with awareness of liquidity requirements. Fund managers' performance is monitored quarterly against the performance of the fund-specific benchmark and the returns assumed in the actuarial valuation.
Risk of poor governance if responsibilities are not clear.	Improved clarification by making the proposed amendments.

8. Other Options Considered

8.1. n/a

9. Equality Duty

9.1. n/a

10. Social Value

10.1. n/a

11. Crime and Disorder Act Implications

11.1. n/a

12. Human Rights Implications

12.1. n/a

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Appendix 1 CMA Objectives

Appendix 2 Risk Register

Appendix 3 Training Register

Background Document

[Governance Committee](#)

[Monday, 20th January, 2020 2.15 pm](#)