

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

22 July 2011

WILTSHIRE PENSION FUND BUSINESS PLAN 2011-14

Purpose of the Report

1. The purpose of this report is to bring Members the draft Wiltshire Pension Fund Business Plan 2011-14 for comment and approval.

Background

2. The Myners Review of Institutional Investment in the UK (published in 2001 and revised in 2008) resulted in the publication of 6 investment principles. Principle 1 (Effective Decision Making) recommended that Pension Funds produce a Business Plan.
3. The last Business Plan was approved by this Committee on 17 June 2008 which set out a Forward Plan for the next three years (2008-11). The purpose of the Forward Plan was to set out the key developments and major tasks for the plan period.
4. The benefit of having integrated all aspects of Wiltshire Pension Fund activity into one section under a Head of Pensions is it enables the development of a more unified approach to the management of the Fund.
5. The future of Public Sector Pension schemes remains currently uncertain as the Government's implementation of the Hutton report and its own objectives to reduce the cost to the tax payer is still pending with an announcement unlikely until October 2011. This plan attempts to outline the key objectives and actions that the Wiltshire Pension Fund will need to consider over the next three years.

Considerations for the Committee

6. The draft Wiltshire Pension Fund Business Plan 2011-14 is attached as the Appendix. Due to the current uncertainty surrounding the LGPS, this plan will need to be reviewed by its officers' annually and amended to account for upcoming changes.
7. Members are invited to review, suggest amendments and approve it.

Environmental Impact of the Proposal

8. There is no environmental impact of this proposal.

Financial Considerations & Risk Assessment

9. Adoption of the Business Plan does not in itself commit any expenditure or increase risk. The financial implications of the proposed actions will be brought forward to the Committee in the usual way when the Fund Administration Budget is agreed. There is an action within the plan to set 3 year financial plans for the Fund which will help manage resources in line with its activities over this period. The risks of each development will be analysed in detail at the time, with the Committee approval sought if appropriate.

Reasons for Proposals

10. It is best practice to develop a Business Plan for Local Government Pension Funds.

Proposals

11. The Committee is asked to approve the draft Wiltshire Pension Fund Business Plan 2011-14.

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Unpublished documents relied upon in the production of this report: NONE



WILTSHIRE PENSION FUND BUSINESS PLAN 2011-14

INTRODUCTION

The purpose of this Wiltshire Pension Fund Business Plan 2011-14 is to outline the Fund's goal and objectives, as well as providing an Action Plan of the key priorities over the next three years in order to further these objectives.

The Local Government Pension Scheme (LGPS) along with all other public sector schemes are currently being reviewed by the Government and substantial changes are expected for implementation by 2015. At time of writing the exact changes are not known and the Business Plan may need reviewing and updating on a regular basis to incorporate these.

The Fund also faces increasing complexities and there are a number of new legislation that will fundamentally change the way in which we work and our relationship with customers and partners. These currently include the changes to Record Keeping, changes to the tax relief allowances, and auto-enrolment for employers. All this means the Fund faces challenging times and will need to be flexible and responsive enough to adapt to all these changes.

PURPOSE & SCOPE OF THE FUND

The Wiltshire Pension Fund (WPF) is one of a hundred funds making up the Local Government Pension Scheme (LGPS). Wiltshire Council is the statutorily appointed Administering Authority for the WPF. The LGPS is a final salary scheme, funded principally by its constituent employers and members, with assistance from investment returns. Unlike other public sector pension schemes, the LGPS is fully invested in financial markets and aimed to be fully funded over the long-term.

The Wiltshire Pension Fund has 48,800 members from 64 constituent employer bodies. The value of the investment assets currently under management at 31 March 2011 was £1.287bn. The cost of administering the Wiltshire Pension Fund in 2010-11 was £1.343m (0.10% of total assets), with costs of fund investment adding a further £4.049m (0.31%).

Contribution inflows into the Fund were £86.210m in 2010-11 and benefits outflows were £61.418m.

GOVERNANCE & MANAGEMENT OF THE FUND

The Wiltshire Pension Fund Committee is responsible for the proper administration of the Fund in all its aspects. The Committee has its delegation direct from the full Council, rather than the Cabinet (ie. the Executive), to avoid potential conflicts of interest. Under the Council's constitution, the Committee has the power to "...*make decisions on matters of significant policy...*". The key focus of the Committee tends to be on investments, particularly asset allocation and the appointment and monitoring of investment managers, of which there are currently 9 managing the whole investment portfolio.

The Committee is made up of 5 Wiltshire Council members, 2 members from Swindon Borough Council, 2 representatives from admitted bodies, as well as 2 non-voting UNISON representatives. The Fund's Investment Adviser and the Independent Pension Fund Advisor also attend most meetings.

The Chief Finance Officer has "...*express authority to take all necessary actions to implement ... Committee decisions...*" and is "... *empowered to take operational decisions, within agreed policies...*". This responsibility is achieved with the assistance of the Head of Pensions, who has a team of 20 people solely dedicated to working on the Fund. This includes investments management and associated services, governance, accounting, benefits administration and operations (which is done entirely in-house), communications, employer relations and funding.

CUSTOMERS OF THE FUND

The Fund's customers fall into three categories.

a) Scheme Members (ie. our "Purpose of Existence"):

- Contributors/Actives (c19,400)
- Deferred Pensioners (c17,900)
- Pensioners (c11,500)

b) Employers of the Scheme Members (c64):

- At present the employee contributions are fixed according to salary level, so the effect of variations in costs and investment returns are felt by the employers. Coupled with this, the Fund is also very dependant on information from the employers in order to provide an effective service to members, so they are also a very important customer group.

c) Regulatory Bodies & Stakeholders, principally:

- The (Department for) Communities and Local Government – the regulatory body responsible for the LGPS
- HM Revenues & Customs
- The Department for Work & Pensions
- Partners including Investment Managers & Advisers

THE GOALS AND VISION OF THE FUND

The goals of the Fund are adapted from those set out in the Wiltshire Council Business Plan which can be defined as:

- To provide high quality, low cost customer focused services
- To be open and honest in all our decision making
- To work with our partners to support our employer bodies and Fund members

The Fund also has its own specific goals as set out in its Funding Strategy Statement with the two main ones being:

- To achieve a funding level of 100%, both at the whole fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable;

- To ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment.

The Fund has also worked for a number of years to the maxim “It’s not about services, it’s about people’s lives” (taken from Sue Redmond – Director of Community Services, Wiltshire Council).

The vision for the Fund is aligned to those of the Finance Department which is by 2014:

‘to exceed customer expectations through a single motivated and empowered team that is recognised for providing exceptional professional, high performing, can do and efficient pension services. We intend to demonstrate how we add value through continually improving and working effectively with our customers to jointly contribute to the excellent and efficient delivery of services to the Fund’s stakeholders.’

The Fund intends to achieve this vision by focussing on the following key areas

- *The promotion of the key benefits of the LGPS and ensuring increased awareness amongst the eligible membership.*
- *To ensure the Fund’s services are considered excellent by its stakeholders*
- *To work more collaboratively and in partnership with other organisations to enable where possible costs to be reduced or resources maximised to deliver continued value for money and improved performance*
- *To ensure the team have the correct skills and competences to deliver the ever increasing complexities of LGPS, Police and Fire Schemes*
- *To establish the Fund as a leading role model in the Local Government pensions sector.*

The way we do things and how we communicate to all our stakeholders is critical. The Fund has undergone a Systems Thinking LEAN review in 2008 which helped establish a culture of looking at issues from the customers’ viewpoint in all we do. The Fund also incorporates the values of Wiltshire Council that embraces change, treats everybody fairly, places its customers first, and adopts a ‘can-do’ approach in everything it does.

The Fund has already been recognised as being one of the leaders in terms of its organisational structure, having a dedicated pension team (which is now being replicated nationally), being the only LGPS Fund who accounts for its assets on a ‘unitised’ basis for all its employers, being actively involved in the setting up of new framework agreements for South West funds, and being one of the first funds to upgrade its pensions database (Altair) to a hosted system. The next few years will continue to be an opportunity to deliver further improvements in a period of unprecedented change for local government pensions.

BUSINESS OBJECTIVES OF THE FUND

1. To ensure the effective management and governance of the Fund in a way that strives for continuous improvement through improved value for money, the promotion of excellent customer service and compliance with all regulatory and best practice requirements.

2. To achieve a relatively stable “real” investment return above the rate of inflation over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities and to achieve a 100% funding level over a suitable timescale. This implies:
 - a) The setting of appropriate investment strategies;
 - b) The appointment of capable investment managers;
 - c) The monitoring and reporting of investment managers’ performance, with appropriate action being taken in the event of underperformance.
3. To provide a lean, effective, customer friendly benefits administration service, which implies:
 - a) The calculation and payment of scheme benefits accurately and promptly;
 - b) The accurate maintenance of the records of all members of the Fund; and
 - c) Effective communication, as well as fair explanation and support to the Fund’s scheme members and employer bodies.
4. To have in place effective documented business relationships with all the Fund’s employer bodies.
5. To ensure the proper administration, accounting and reporting of all the Fund’s financial affairs.
6. To recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills.
7. To become a role model of best practice amongst LGPS Funds and to be recognised by our customers as providing an excellent service.
8. To work collaboratively and in partnership with both internal and external organisations to provide higher quality services at a lower cost.

KEY POLICY DOCUMENTS

Key policy documents which the reader may wish to refer to are available on the Wiltshire Pension Fund website (www.wiltshirepensionfund.org.uk):

- Funding Strategy Statement
- Statement of Investment Principles
- Communications Strategy
- Governance Compliance Statement
- Governance Policy Statement
- Administration Strategy
- Cessation Policy

ACTION PLAN FOR THE FUND 2011-14

The Action Plan for the period 2011-14, which seeks to drive forward on the business objectives laid out above is given in the following pages.

WILTSHIRE PENSION FUND ACTION PLAN 2011-14

These objectives are reflected in the following key principles that are planned for the next three years:

Activity	Deadline	Links to Objective No.	Purpose	
<u>GOVERNANCE / STAFFING</u>				
1	Review structure of the Pension Fund team	Autumn 2011	6	A restructure / review of the Pension team is pending the outcome of the Government's decision on which recommendations of the Hutton review to implement. It is essential to have a team capable and correctly resourced to ensure these changes can be effectively implemented.
2	Respond to LGPS scheme change consultation	Autumn 2011 onwards	1	To ensure the Fund is involved in trying to shape the future of the scheme and its implementation.
3	Set up a formal process for monitoring the performance of the Fund's advisors	October 2011	1	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
4	Set up a formal process for monitoring the performance of the Committee	March 2012	1	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
5	Refresh key policy documents (eg. the 2 Governance Policy documents, Communications Strategy, etc)	Sept 2012	1	To seek Member approval and formally publish.

6	Members' training: a) Specific issues b) Review Training Plan c) Deliver Training Plan	As required, Nov 2012 Nov 2012	1 & 2	To provide training on specific issues ahead of relevant decisions by the Committee. To provide training for all Members of the Committee in line with the CIPFA Knowledge & Skills Framework.
7	Members' Handbook	May 2013	1	To refresh the Members' Handbook for the benefit of newly elected Members of the Committee.
8	Refresh the Contracts Register and update the Risk Register for the Fund	On-going	1	To ensure that best practice business processes are in place for the Fund.
9	Continue to develop a high performing team	On-going	6	To have a highly motivated staff team with the necessary professional, managerial and customer skills to provide excellent service, implement the forthcoming changes and have the technical detail to meet the ever increasing complexities of the scheme.

FUNDING & ACTUARIAL MATTERS

10	Re-tender / drawdown from framework Actuarial Contract	September 2011	1 & 3	To ensure that there is an up-to-date and competitive actuarial contract in place.
11	Review / model impact on the Fund in regards maturity profiles resulting from the changes announced by the Government to the LGPS	December 2011	1 & 3	This depends on when these changes are announced. Depending on the size of the changes consideration might be given as to whether an interim Valuation should be undertaken.

12	Full Actuarial Valuation (Actuary)	May - October 2013	1 & 3	To identify the Funding Level at a whole Fund and Employer level and the associated Employer Contribution Rates.
13	Discuss & agree Actuarial Valuation results with Committee & employers	October - December 2013	1 & 3	To have the Actuarial Valuation formally signed off by 31 December 2013 (three months ahead of statutory deadline).
14	Refresh Funding Strategy Statement	January 2014	1	To have an up-to-date Funding Strategy Statement, which is a statutory document required to set-out the longer-term view of how liabilities will be funded and the agreed level of compromise between stability and affordability of employer contributions.

INVESTMENTS & ACCOUNTING

15	Procurement & Implementation of new investment mandates resulting from Investment Review	September 2011 onwards	2	A number of new mandates could be required from the investment review highlighted above.
16	Implement Bi-annual Management Accounts & Performance Reporting	September 2011	1 & 3	To improve management information to assist with budget monitoring, performance monitoring and increase transparency.
17	Re-tender / drawdown from framework Investment Consultancy contract	September 2011	1 & 8	To ensure that there is an up-to-date and competitive investment consultancy contract in place.
18	Draft separate Financial Standards for the Pension Fund	October 2011	1 & 5	The Pension Fund currently uses the Wiltshire Council standards which are not always applicable.

19	Investment Strategy Review	December 2011 & On-going	2	To ensure that the Fund's investment strategy is optimal. The Fund is currently undertaking a high level investment review with outcomes agreed by the end of 2011. A further review might be required depending on the outcome from the Hutton Review. Existing managers' underperformance or new developments in the markets may trigger a review of part or all of the Fund's investments.
20	Review / Retender Custody Contract	December 2011	1 & 5	To ensure that the Fund achieves best value for money in relation to its investment custody arrangements.
21	Develop 3 year budgets & performance targets	March 2012	1 & 5	To assist long term resource planning and set performance targets.
22	Review, retendering and implementation of the Fund's ESG arrangements	July 2012 to March 2013	1 & 2	To ensure that the Fund is complying with best practice and is achieving best value in relation to environmental, social and governance issues.

PENSIONS BENEFITS ADMINISTRATION

23	Implementation of Task Management and Document Imaging along with central manuals for all processes & procedures	July 2011 - March 2012	1 & 3	These systems will allow consistent work flow management and monitoring, together with management information and performance indicators.
24	Implementation of electronic data transfers for all the large employers within the Fund	July 2011 to March 2012	1 & 3	To provide for the more efficient, reliable and secure transfer of data between employers' HR and Payroll functions and the Wiltshire Pension Fund Team.

25	Ensure the Fund will meet all requirements from the changes to Record Keeping	March 2012	1, 3, 5	To ensure the Fund has liaised with its employers, checked and cleansed its own data and have processes in place to ensure compliance, while developing the Fund's own data cleansing practices using mortality screening against governmental databases.
26	Implementation of process to enable the provision of tax liability information	April 2012	1 & 3	To provide the correct information to members for the changes in the tax relief allowances and ensure the systems are able to accommodate any additional procedures from an administration perspective.
27	Implement post Hutton changes to the LGPS scheme	April 2013 onwards	1 & 3	To ensure the Fund is able to meet the administration requirements of the changed LGPS schemes and have the relevant processes in place.

COMMUNICATIONS / CUSTOMER LIAISON

28	Gather external customers feedback on pension services & effectiveness	July 2011 onwards	3	To measure the quality of the pension services being provided.
29	Run Annual Pensioner Meetings and other more regular roadshows/seminars	September 2011 onwards	3	To improve communications with the Fund's members.
30	Adopt a strategy for the communication of the post Hutton changes to the LGPS	September 2011 onwards	1 & 3	To ensure the changes to the LGPS are correctly communicated and managed with the aim highlighting the benefits of the scheme and preventing members taking uninformed decisions.
31	Ensure Fund's compliance and employers are aware of auto-enrolment requirements	March 2012	1 & 3	To ensure all employers are aware of their requirements and are able to hold and provide the pension fund with the correct data to meet the requirements of auto-enrolment.

32	Pension Fund Website	On-going	1 & 3	To ensure that the Fund's website is up-to-date, in line with best practice and serving the needs of our customers as well as possible.
33	Develop links with Scheme Employers, including regular monitoring against the performance requirements within the Pension Administration Strategy	On-going	4	To set-up more regular meetings to discuss performance and issues with the employer bodies for the benefit of both parties.