



# Pensions Committee

## 25 September 2013

<b>Report Title</b>	Service plan monitoring 2013/14	
<b>Originating service</b>	Pension Services	
<b>Accountable officer(s)</b>	Geik Drever	Director of Pensions
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### Recommendations for noting:

The Committee is asked to note:

1. Members are requested to note the financial monitoring along with the Fund's key performance indicators.

## **1.0 Purpose**

- 1.1 At the February 2013 meeting, Members approved the update to the 2015 Medium Term Financial Plan and 2013/14 Operating Budget. This report provides an update to the plan along with the Fund's financial and business plan monitoring.

## **2.0 Medium term plan**

- 2.1 The nine key priorities in the Business Plan are detailed in Appendix 1, which represents a summarised update of activities; Pensions Committee received a detailed report on the individual priorities in the 'Assurance Framework and Annual Governance Statement' in April 2013.
- 2.2 The plan provides the supporting medium-term financing statement to the Fund's Business Plan which was approved at the Committee meeting on 6 April 2011, a full copy of which is available on the Fund's website [www.wmfonline.com](http://www.wmfonline.com).
- 2.3 Activities against the plan continue in line with objectives; the key points to note being the 2014 new scheme, implementation of the trustee training policy, the 2013 actuarial valuation exercise and the comprehensive review of the Fund's investment strategy.

## **3.0 Key performance indicators**

- 3.1 As part of the implementation of the new organisational restructure and the requirement to relocate staff into new functions, KPI performance for processing has been temporarily suspended. It is proposed that new KPI's are established which have a cross-cutting benefit for all administration purposes and activities, by tracking end to end processes resulting in a more meaningful performance measurement.
- 3.2 An abridged summary of performance is included at Appendix 2, where it can be seen that with the exception of external accreditation, performance has improved in each criteria possible.

#### 4.0 Operating budget 2013/2014

- 4.1 The summary operating budget for pension services and current projected outturn as at 31<sup>st</sup> July 2013 for 2013/14 are shown below:

	<b>2013/14 Budget</b>	<b>2013/14 Projection</b>	<b>2013/14 Over/(Under)</b>
Employees	4,755,005	4,755,005	-
Premises-related	319,770	320,799	1,029
Transport-related	110,300	108,500	(1,800)
Supplies and services			
- Communications and IT	941,550	872,674	(68,876)
- Investment management & advice	10,327,066	10,327,066	-
- Other (including actuarial fees)	1,617,780	1,575,393	(42,387)
Support services	681,500	681,500	-
Service development	690,000	690,000	-
Total expenditure	19,442,971	19,330,937	(112,034)
Miscellaneous income	(276,460)	(276,460)	-
Net expenditure	19,166,511	19,054,477	(112,034)

- 4.2 The projected underspend of £0.01m is based on expenditure to date, however it is too early in the financial year to determine detailed variances at this stage.
- 4.3 The Fund, like all public sector bodies, continues to review its operating costs and procedures, with many key operational processes having been reviewed under the LEAN programme and associated efficiencies implemented accordingly.

#### 5.0 Financial implications

- 5.1 The projected financial outturn is as detailed in paragraph 4 above.

#### 6.0 Legal implications

- 6.1 This report contains no direct legal implications for the Authority.

#### 7.0 Equalities implications

- 7.1 This report has no implications for the Council's equalities policies.

## **8.0 Environmental implications**

8.1 This report has no implications for the Council's environmental policies.

## **9.0 Human resources implications**

9.1 The report contains no direct human resource implications for the Authority

## **10.0 Schedule of background papers**

10.1 There were no preceding background papers.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
<b>1. Maintain quality procedures and practices:</b>	
<ul style="list-style-type: none"> <li>– Maintain quality accreditations</li> <li>– Invest in leading technologies</li> <li>– Respond to best practice shown by others</li> <li>– Respond to legislative changes</li> </ul>	<ul style="list-style-type: none"> <li>– The Fund has undertaken re-evaluation for the Customer Service Excellence accreditation and successfully retained the award.</li> <li>– Systems and technologies are monitored and maintained by a professional and appropriately resourced staff.</li> <li>– The Fund actively participates in networking and information sharing with peers and industry practitioners, both learning from others and sharing its own practices.</li> <li>– Technical specialists within the Fund monitor and interpret legislative changes and communicate requirements to the wider organisation. A specialist team from existing resources has been established to implement the 2014 Scheme and external advice will be utilised, where appropriate, to support the Fund.</li> </ul>
<b>2. Demonstrate ‘value for money’ in the Fund’s operations:</b>	
<ul style="list-style-type: none"> <li>– Demonstrate quality of service delivery</li> <li>– Benchmark performance costs and service quality</li> </ul>	<ul style="list-style-type: none"> <li>– The Fund has developed and implemented a number of key performance indicators (KPIs) to ensure targets for service delivery, both internally and externally, are reviewed, measured and reported on a timely basis. Performance targets are a combination of internally determined and external benchmarks and are ordinarily reviewed quarterly, however these have been temporarily suspended in respect of administration, whilst the re-structure is implemented and new, more robust measurements are put in place.</li> </ul>

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
<b>3. Develop, implement and maintain customer engagement strategies:</b>	
<ul style="list-style-type: none"> <li>- Develop technical support for maintaining communication strategy for employing bodies</li> <li>- Develop communications with stakeholders and monitoring of pension provisions to individuals</li> <li>- Develop, consult upon and implement the Pensions Administration Strategy</li> <li>- Hold Employer AGM</li> <li>- Develop and implement customer engagement strategies</li> </ul>	<ul style="list-style-type: none"> <li>- The Employer Summer Meeting took place in July 2013, where Fund officers updated employers on the 2013 actuarial valuation process and developments in respect of the 2014 scheme changes. The meeting included presentations and round table discussions and drew positive feedback from attendees.</li> <li>- The Fund held its first Employer AGM in December 2012 which was attended by representatives from 54 employers. Presentations were made by Fund staff and the Local Authority Pension Fund Forum, the Local Government Association and the Fund's Actuary, Mercer. Planning is underway for the 2013 AGM to be held in December.</li> <li>- The Fund maintains a comprehensive website, providing documentation and information for members, employers and other interested parties. The website provides important information for stakeholders, such as proposed legislative or scheme changes.</li> <li>- The web portal is used by all 7 Councils, along with a further 248 employer accounts across 62 employers, for retirement estimates and other employer data. Scheme members can access their individual records to update data and to date some 5,729 (approximately 1.6% of membership) have requested registration to the service with 3,542 having activated their accounts.</li> <li>- The bi-annual civic Roadshows were held in June 2013 at the seven district sites across the West Midlands. The Roadshows attracted more than 700 visitors from across the Fund's membership including active, deferred and pensioners. General information was provided in addition to details of proposed 2014 Scheme changes and auto-enrolment.</li> </ul>

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
	<ul style="list-style-type: none"> <li>– Seminars and 1-2-1 clinics have also been held in 2013 targeted at a senior level audience.</li> <li>– Three, week long retirement planning events have been held throughout the year at venues across the West Midlands in partnership with Prudential. Presentations focused on updating members on the proposed 2014 Scheme changes.</li> <li>– Customer surveys are analysed and resulting improvements are implemented as part of the changes to processing.</li> <li>– Engagement with employers in respect of the Pensions Administration Strategy and performance reporting is on-going.</li> </ul>
<b>4. Management of risk strategies:</b>	
<ul style="list-style-type: none"> <li>– Regular risk management reviews</li> <li>– Review of major changes and new activities</li> <li>– Develop and maintain risk management approach in order to give annual assurance statement</li> <li>– Develop and implement Business Continuity Planning</li> </ul>	<ul style="list-style-type: none"> <li>– An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to internal and external audit.</li> <li>– Quarterly compliance testing has produced no reportable issues. The investments and operations compliance functions have been integrated to provide a Fund-wide function.</li> <li>– The annual assurance statement was presented to the April 2013 Pensions Committee.</li> <li>– The Fund has appointed a lead officer to manage the preparation and implementation of the new LGPS 2014 Scheme.</li> <li>– The business continuity plan was reviewed and updated in April 2013, with key staff having been trained and a full test due during Q4 2013.</li> </ul>

<b>5. Deliver the agreed investment strategy:</b>	
<ul style="list-style-type: none"> <li>– Review, implement and monitor investment strategy</li> <li>– Communicate and consult on progress</li> <li>– Develop appropriate changes for approval</li> <li>– Monitor and highlight opportunities with due regard to risk</li> <li>– Explore, evaluate and consult on options to Sub-Committee and interested parties</li> </ul>	<ul style="list-style-type: none"> <li>– Hymans Robertson are the Fund's strategic investment advisor and a full review of the investment strategy and allocation is underway, with regular progress reporting being made to Members.</li> <li>– The Fund's SIP has been updated and was presented to the April 2013 Committee.</li> <li>– Work has commenced on reviewing the future structure of the Fixed Interest and Absolute Return portfolios following recommendations from Hymans Robertson.</li> <li>– The Fund's response to potential investment opportunities will be further developed in conjunction with advice from Hymans, following the on-going review of the Fund's strategic investment allocation benchmark.</li> </ul>
<b>6. Active management of Environmental, Social and Corporate Governance (ESG) issues:</b>	
<ul style="list-style-type: none"> <li>– Voting and engagement through partnerships</li> <li>– Reviewing investment processes to encourage ESG</li> </ul>	<ul style="list-style-type: none"> <li>– The Fund continues to vote at company meetings for the majority of its global holdings, and employs PIRC to advise on corporate governance issues. As an active member of the Local Authority Pension Fund Forum, the Fund also works in conjunction with a number of other public sector pension funds to engage with investee companies on a variety of issues, with the aim of encouraging best practice and enhancing investment returns.</li> <li>– A document outlining the Fund's compliance with the UK Stewardship Code is published on the web-site. Periodic assessment of the Fund's activities are undertaken on behalf of the Financial Reporting Council, and in addition, further research projects and engagement is undertaken on behalf of the Fund by PIRC.</li> <li>– The Fund signed up to UNPRI in 2011. The annual assessment survey will be undertaken and reported during 2013 and guidance has been provided by LAPFF in order to assist with the assessment and reporting requirements.</li> </ul>



## 7. Triennial Actuarial Valuation:

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| <ul style="list-style-type: none"><li>- Engage with employing bodies and discuss issues</li><li>- Collect data for valuation</li><li>- On-going review of investment strategy in order to maintain SIP and FSS</li><li>- Regular monitoring of funding levels</li></ul> | <ul style="list-style-type: none"><li>- The Fund maintains a comprehensive website, providing documentation and information for employers on a variety of matters, including the actuarial valuation.</li><li>- The Employer Summer Meeting took place in July 2013, where Fund officers engaged with employers and updates were given on the 2013 actuarial valuation process and assumptions, and developments in respect of the 2014 scheme changes. The meeting included presentations and round table discussions and drew positive feedback from attendees.</li><li>- The Fund held its first employer AGM in December 2012 which was attended by 54 employers. Included in the presentation was a detailed overview of the forthcoming valuation objectives, timetable and data requirements, by the Fund's Actuary, Mercer. Planning is underway for the 2013 AGM to be held in December.</li><li>- Data has been collected, collated and submitted to the Fund's actuary for the 2013 valuation, the results of which are due out in the autumn.</li><li>- A comprehensive review of the investment strategy and asset allocation is currently being undertaken. The SIP and FSS will be further updated to reflect any changes resulting from this review, and from the outcomes of the 2013 actuarial valuation exercise.</li></ul> |
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## 8. Trustee and Consultative Panel Training:

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| <ul style="list-style-type: none"><li>– Maintain and expand the opportunities to build Trustee knowledge and understanding</li><li>– Monitoring of approved training policy</li><li>– Identification of training needs and development of training plan</li></ul> | <ul style="list-style-type: none"><li>– Structured induction training provided to Trustees by the Director of Pensions is available to all Members as required. Two days of formal training took place at the Fund's offices in January and February 2013. A 'mop up' session for those unable to attend took place on the 23<sup>rd</sup> April 2013. Further structured training days are scheduled for 2013/14.</li><li>– A Trustee Training Policy was approved by Members at the November 2012 Committee and progress reported to the June 2013 Pensions Committee.</li><li>– The revised CIPFA Knowledge and Skills Framework has been provided to Members.</li></ul> |
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## 9. Developing People:

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| <ul style="list-style-type: none"><li>– Ensure a skilled and professional workforce</li><li>– Identify and address training and development needs</li><li>– Measure and improve competency levels</li></ul> | <ul style="list-style-type: none"><li>– Structured induction training is provided in-house for all new employees.</li><li>– Annual appraisals are undertaken by all Fund staff to determine competency levels and to identify training needs and objectives.</li></ul> |
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**KPI - ACTIONS, TIMESCALE AND REPORTING JULY 2013**

No	Description	Target	Actual Performance	Period	Previous Performance	Previous Period	Movement
1	<b>INVESTMENT RETURNS/OVERALL FUND PERFORMANCE</b> Returns to be within 2% of the benchmark (3 Yr Rolling)	<b>VARIANCE</b> +/- 2%	<b>BENCHMARK</b> 8.86%	Jul-13	<b>BENCHMARK</b> 8.90%	Jan-13	↑ 0.15%
			 <b>ACTUAL</b> 9.25%	Jul-13	 <b>ACTUAL</b> 9.14%	Jan-13	
2	<b>BENEFIT STATEMENTS</b> ABS issued to 95% of eligible active members by 30th September	95%	 89%	Sep-12	 87%	Oct-11	↑ 2.00%
	DBS issued to 85% of eligible deferred members by 30th October	85%	 88%	Jul-13	 83%	Jul-12	↑ 5.00%
3	<b>CONTRIBUTIONS RECEIVED</b> <b>Main Fund</b> 98% (total value) of contributions to be received by the due date.	98%	 99.92%	Jun-13	 99.32%	May-13	↑ 0.60%
	<b>Travel Fund</b> 98% (total value) of contributions to be received by the due date.	98%	 100.00%	Jun-13	 100.00%	May-13	→ 0.00%
4	<b>EXTERNAL ACCREDITATION</b> The Fund to be shortlisted for all of the awards in which it is entered.	100%	 50%	Jul-13	 100%	Jul-12	↓ -50.00%
5	<b>COST PER MEMBER</b> Administration cost per member to be reduced from budgeted figure of £24	<£24	 £20.48	Mar-13	 £21.05	Mar-12	↑ £0.57