



## **BUSINESS PLAN 2016-17**

**And**

## **MEDIUM-TERM STRATEGY 2017/2020**





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## 1.0 INTRODUCTION

This document is intended to outline the key elements of the Royal County of Berkshire Pension Fund (“the Fund”) Business Plan for 2016/17. It has been prepared in conjunction with the business plan for the Corporate and Community Services Directorate of the Royal Borough of Windsor & Maidenhead (“RBWM”). The Royal Borough of Windsor & Maidenhead is the administering authority for the Fund.

The Pension Fund has two teams – The Pension Administration Team and The Pension Finance Team. Accounting for the Fund is carried out by colleagues within the Finance Team within RBWM’s Corporate and Community Services Directorate.

The Business Plan will be used to guide and direct the Fund, provide clarity and alignment on goals and objectives and establish key initiatives for the forthcoming year. In addition, it is available to all stakeholders to better understand what the Fund is planning to do to provide an efficient service across the County whilst supporting the overall corporate aims of RBWM.

This Business Plan will be updated annually and presented to the Pension Fund Panel for adoption. The plan will also review the previous year’s plan and detail whether the objectives therein were met.

## 2.0 STRATEGIC INTENT

The following was the Strategic Intent that was created in 2012 by the Chief Operating Officer of RBWM following his review of the old Operations directorate. It remains valid and will act as the ‘mission statement’ for RBWM’s Corporate and Community Services Directorate although an additional line has been added to reflect the need to deliver more innovative solutions:

*To deliver flexible and adaptable services to both the residents and internal customers at the lowest possible unit cost that:*

- *Are high quality, innovative and fit for purpose;*
- *Help deliver the Borough’s strategic objectives;*
- *Enable other parts of the Council to deliver their strategic goals;*
- *Provide staff in Corporate and Community Services with a satisfying work environment and career development.*

To better reflect the service provided by the Pension Fund team the strategic intent for the team is:

*To deliver an efficient pension service to all stakeholders in the Fund that:*

- *Is cost effective, high quality, innovative and fit for purpose;*
- *Ensures that members receive the right benefits at the right time;*

- Ensures members are kept informed about their benefits and changes in regulations which will affect them;
- Manages the Fund's investments in a risk controlled manner to meet the Fund's strategic investment objectives;
- Recognises that pensions are an important part of employees' reward packages which assists employers to deliver their strategic goals;
- Provides staff in the Pension Fund team with a satisfying work environment and career development path.

### 3.0 BUSINESS OBJECTIVES

The business objectives for the Pension Fund team are directly aligned to the Council's corporate aims, as follows:

<b>Corporate Aim</b>	<b>Corporate Services Business Objective</b>
<b><i>Residents First</i></b>	To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.
<b><i>Value for Money</i></b>	<p>To manage the assets of the Fund in such a way as to achieve the medium term investment return objective, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.</p> <p>To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.</p>
<b><i>Equip Ourselves for the Future</i></b>	<p>To manage staff effectively in order to deliver high levels of morale, ensuring all staff are effectively performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are appropriately dealt with.</p> <p>To transform, develop and improve the Pension Team through creating an evidence-based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.</p>
<b><i>Delivering Together</i></b>	To work together with Members to deliver the goals and objectives of the Pension Fund Panel, to be measured by positive feedback from Lead Members.

## 4.0 VALUES

The CREATE values have been cascaded throughout the team and translated into local values and behaviours. In the spirit of the behaviours adopted by the Borough the Pension Team will adopt the following values and behaviours:

- There will be no 'ambushing' or surprises - discuss first before raising in public;
- We will always be realistic when negotiating timescales and be considerate of other's priorities and time;
- Everyone's view matters and we will always give credit where it is due;
- We will share information, be inclusive and supportive and back each other up;
- We will always consider Scheme members and other stakeholders in everything we do;
- We will always look to do something rather than find ways to not do it and we will always look to support a reasonable request;
- We will accept being challenged and only challenge ideas not people;
- We will always deal with issues and not let them fester;
- We will always lead by example;
- We will use face to face communication as our preferred initial medium with telephony as our second preference;
- If we do e-mail we will always use appropriate distribution lists;
- We will always respect each other and work together to meet the Fund's objectives;
- We will promote and celebrate success;
- We will take full responsibility for our actions.

## 5.0 BUSINESS TARGETS 2016/17

Pension Team Business Objective	2016/17 Target
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	All annual benefits statements to be issued on time  95% of critical service standards achieved (stretch 100%)  90% of non-critical service standards to be achieved (stretch of 95%)  Service related complaints to be less per member than 2015/16

To manage the assets of the Fund in such a way as to achieve the medium term investment return objective, achieve value for money in all contracts and manage all other direct costs in managing the Fund and paying benefits.	<p>Achieve a 4% real investment return over an economic cycle (7 years)</p> <p>Tender all contracts when due with a stretch objective of reducing costs (on a like-for-like basis) in real terms</p>
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal and external audit comments and feedback.	<p>Positive feedback from internal and external auditors that controls are better than in previous years</p> <p>To maintain robust business continuity, disaster recovery and emergency plans for all areas</p> <p>Reduce risk profile of the Pension Fund</p>
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are effectively performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are dealt with appropriately.	<p>Overall staff satisfaction of at least 70% (stretch of 75%)</p> <p>Staff absence rate to be reduced by 10% from 2015/16 levels (stretch of 15%)</p>
To transform, develop and improve the pension teams through creating an evidence-based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	<p>Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%)</p> <p>Deliver all agreed programmes and projects to time and budget</p>
To work together with Members to deliver the goals and objectives of the Pension Fund Panel, to be measured by positive feedback from Lead Members.	Positive feedback from Lead Members on performance and engagement

## 6.0 KEY ASSUMPTIONS AND RISKS

The following are the key business assumptions used in the compilation of the 2016/17 budget:

- Sufficient staff resources are available and committed to deliver business as usual and agreed projects, with key posts filled if they become vacant;
- The gap between benefits payable and contributions received will grow in the medium term thereby requiring the investment portfolio to generate a level of investment income sufficient to meet that gap to avoid the need to sell investments at an inopportune time;
- Staff turnover is as expected otherwise the Pension Team will struggle to meet its obligations to stakeholders;



- That performance targets remain as agreed;
- That central support resources are available to support the Pension Team;
- Changes to legislation do not adversely impact on the operation of the Pension Fund;
- Training and development resources are available;
- The new change management model is fully embedded and effective in managing and prioritising projects;
- FOI and DPA requests will not increase;
- Transfer Out requests will not increase;
- Number of schools converting to academies and the number of new employers admitted to the Fund will remain in-line with previous years' experience;
- The Pension Fund will need to adjust investment strategy as a result of the Government's investment pooling strategy.

## 7.0 CASH-FLOW SUMMARY

A summary of the forecast cash-flow for the Pension Fund is shown below:

	Year to 31/03/15 (actual) £'000's	Year to 31/03/16 (forecast) £'000's	Year to 31/03/17 (forecast) £'000's
Contributions	87,691	94,500	97,900
Transfers In	1,916	4,700	5,000
Employers additional contribution for early retirements	1,400	1,600	2,000
Investment Income via Custodian	23,762	23,500	20,000
Pensions Paid (Gross)	-73,625	-77,500	-77,500
Retirement Lump Sums	-18,045	-17,800	-17,500
Transfers Out	-67,201*	-6,500	-5,000
Investment Management Costs	-3,654	-6,600	-6,000
Employee Costs	-693	-700	-700
Other Costs	-1,106	-500	-700
<b>Net Cash Flow</b>	<b>-49,555</b>	<b>14,700</b>	<b>17,500</b>

\*Following the reorganisation of the Probation Service the assets and liabilities in respect of past and present members employed by Thames Valley Probation Trust and other probation service predecessor bodies were transferred on 18 March 2015. This resulted in a payment of £63.76 million in respect of assets to the Greater Manchester Pension Fund which has assumed responsibility for probation service pension arrangements.

## 8.0 KEY INITIATIVES 2016/17

Business Objective	Key Initiatives
<p>To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.</p>	<p>Ensure that Pension Administration Software is kept up to date</p> <p>Finalise Desktop Procedures to ensure consistency of working practices in the Pension Administration Team</p> <p>Continue to promote and encourage employers to use i-Connect as the administering authority's preferred method of data transfer</p> <p>Continual review of Service Level Agreements to ensure they remain current</p> <p>Keep members up to date via newsletters</p> <p>Run Pension Surgeries at least twice annually for each unitary authority and as requested by other employers</p> <p>Educate scheme employers by providing scheme training upon request</p> <p>Educate scheme members by providing presentations upon request from scheme employers</p> <p>Maintain web-site to highest standards ensuring that all information is current</p> <p>To increase the number of visits made to scheme employers to discuss key statutory responsibilities and improve performance</p>
<p>To manage the assets of the Fund in such a way as to achieve the medium term investment return objective with minimal loss of capital, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.</p>	<p>Join an LGPS Investment Pool as required by the Department for Communities and Local Government</p> <p>Implement Investment Strategy as agreed by the Pension Fund Panel</p> <p>Ensure that no fire-sale of assets is required to meet benefit payments</p>
<p>To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks and minimising any negative internal</p>	<p>Produce Annual Financial Statements so they can be published by 1 December 2016</p> <p>Complete contributions reconciliation</p>

and external audit comments and feedback.	<p>Achieve a clean audit</p> <p>Complete Year End procedures before 31 August 2016 to enable prompt issue of annual benefit statements</p> <p>Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2016</p> <p>Apply Pensions Increase Order</p> <p>Issue P60's and payslips</p> <p>Ensure that employers complete Policy Statements as required by LGPS Regulations 2013</p> <p>Service the Berkshire Pension Board to ensure they receive the information they require to discharge their obligations</p> <p>Ensure that all Pension Fund policies are current</p> <p>Ensure compliance with the Pensions Regulator's Code of Practice number 14</p> <p>Complete triennial valuation of the Pension Fund by 31 March 2017 and publish Rates and Contributions Certificate</p>
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are appropriately dealt with.	Monitor staff requirements to ensure a high quality service is provided to stakeholders
To transform, develop and improve the Pensions Team through creating an evidence based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	<p>Ensure that staff "buy-into" RBWM's performance related pay scheme</p> <p>Ensure staff receive appropriate training internally and from external providers</p>
To work together with Members to deliver the goals and objectives of the Pension Fund Panel, to be measured by positive feedback from Lead Members.	Ensure Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members receive appropriate training

	Ensure that Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members understand the Fund's strategy
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## 9.0 REVIEW OF 2015/16 KEY INITIATIVES

In 2015/16 we said that we would:

<b>Corporate Services Business Objective</b>	<b>Key initiatives</b>	<b>Outcome</b>
To deliver an effective pensions service that meets the expectations of members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.	Ensure that pension administration software is kept up to date	Pension administration software has been kept up to date
	Finalise Desktop Procedures to ensure consistency of working practices in the Pension Administration Team	Technical Analyst appointed in 2015 and has commenced production of these procedures with the aim to complete by March 2017
	Encourage employers to use i-Connect to improve submission of data	The administering authority and 12 associated academies have adopted i-Connect and went 'live' in February 2016
	Continual review of Service Level Agreements to ensure they remain current	New SLA effective from 1 April 2016
	Keep members up to date via newsletters	Bi-annual newsletters (The Quill and The Scribe) issued to active, deferred and pensioner / dependant members respectively
	Run Pensions Surgeries at least twice annually for each unitary authority and as requested by other employers	Achieved. 12 pension surgeries held at Bracknell Forest Council, RBWM, Reading BC, Slough BC, West Berkshire Council and Wokingham BC.
	Educate scheme employers by providing scheme training upon request	All scheme employers invited to attend a training session entitled 'Scheme employer – statutory obligations' in March 2016.
	Educate scheme members by providing presentations upon request from scheme employers	A number of presentations have been undertaken and have been well received.
	Maintain web-site to highest standards ensuring that all information is current	During 2015-16 the administering authority changed its web provider. The Berkshire

	Visit scheme employers to discuss key statutory responsibilities and monitor performance	<p>Pension Fund website is a microsite to the administering authority's website and was updated and improved in line with this strategy</p> <p>Very few visits have taken place but employer performance is monitored closely and reported to the Pension Panels and Pension Board as part of a stewardship report</p>
To manage the assets of the Fund in such a way as to achieve the medium term investment return objective with minimal loss of capital, achieve value for money in all contracts and manage all other direct costs in managing the fund and paying benefits.	<p>Implement Investment Strategy as agreed by the Pension Fund Panel</p> <p>Identify scheme employers at risk of default and investigate whether this risk might be insured</p> <p>Ensure that no fire-sale of assets is required to meet benefit payments</p> <p>Create a Dynamic Purchasing System to facilitate the tendering of investment mandates</p>	<p>Achieved. The current investment strategy as at 29 February 2016 has since inception (1 April 2009) achieved an 7.05% p.a. real return. (3 year Real return 4.03% p.a., 12 month real return 0.67%)</p> <p>Achieved. Expansion mandates to RWC and Kames and new mandates awarded to limited partnerships (Milltrust International, Dorchester Capital Evergreen and supplemental investment opportunity in Oxford Photovoltaics co-investment).</p> <p>Probability of loss and expected annual loss calculated for admitted bodies and a reserve created.</p> <p>On-going</p> <p>Not undertaken due to requirement to pool investment assets from April 2018 negating the need for this initiative.</p>
To ensure we always remain compliant with legislative and regulatory requirements, avoiding any financial penalties or negative publicity, identifying and reducing business risks	<p>Produce Annual Financial Statements so they can be published by 1 December 2015</p> <p>Complete contributions reconciliation</p> <p>Achieve a clean audit</p>	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p>

and minimising any negative internal and external audit comments and feedback.	Complete Year End procedures by 31 August 2015 to enable prompt issue of benefit statements	Partially achieved. A small number of employers failed to provide data in a timely manner to enable the pension administration team to meet their targets.
	Annual Benefit Statements (Active and Deferred members) are issued before 31 August 2015	Partially achieved. Problems with member data as submitted by a small number of scheme employers made it impossible for this deadline to be achieved
	Apply Pensions Increase Order	Achieved
	Issue P60's and payslips	Achieved
	Ensure that employers complete Policy Statements as required by LGPS Regulations 2013	Partially achieved. A small number of scheme employers continue to delay their completion of statements
	Service the Berkshire Pension Board to ensure they receive the information they require to discharge their obligations	Achieved
	Ensure that all pension fund policies are current	Achieved
	Implement all Pension Regulator Codes of Practice	On-going
To manage staff effectively in order to deliver high levels of morale, ensuring all staff are performance managed and developed by ensuring sickness rates are reduced, aligned objectives are set for all staff, performance appraisals are undertaken and poor performers are appropriately dealt with.	Monitor staff requirements to ensure a high quality service is provided to stakeholders	Achieved
	Monitor the establishment of Pension Investment Team to reflect operational efficiencies	Achieved
To transform, develop and improve the Pension Team through creating an evidence	Ensure that staff "buy-into" RBWM's performance related pay scheme	Staff understand the performance related pay scheme

based continuous improvement culture and ensuring that all agreed projects and other initiatives are delivered to time and budget and achieve the expected benefits.	Ensure Staff receive appropriate training internally and from external providers	Achieved
To work together with Members to deliver the goals and objectives of the Pension Fund Panel to be measured by positive feedback from Lead Members.	<p>Ensure Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members receive appropriate training</p> <p>Ensure that Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members understand the Fund's strategy</p>	<p>Members of the Panels received training on Governance and Administration in January 2016. Pension Board member receive regular and ongoing training at meetings of the Board</p> <p>Feedback from Panel members is that they do understand the Fund's strategy</p>

## 10.0 MEDIUM TERM PLAN 2017/20

The following table details the medium term plan for the Pension Fund for the period 2017 to 2020.

Objective	Rationale	Timescale
Investment Pooling	Required by the Department for Communities and Local Government per their announcement 25 November 2015.	Detailed response due by 15 July 2016. Initial pooling of assets by April 2018.
Attain accreditation to the Pensions Administration Standards Association (PASA).	Accreditation will confirm that the Pension Administration Team are adhering to industry best practice	Desktop Procedures to be completed by March 2017.  Accreditation to be achieved by June 2017.
Credit insure the Fund against loss incurred by the insolvency of admission bodies.	Protects the Fund against losses incurred when admission bodies become insolvent and they are unable to meet their cessation liabilities	Initial work completed in 2015. Further work regarding feasibility of an insured solution to be undertaken in 2016/17.
Reconciliation of Guaranteed Minimum Pension (GMP) obligations.	Reconcile GMP values held with those calculated by HMRC or Fund faces making overpayments to existing scheme members and even	By December 2018

	to individuals for whom it is believed there is no liability	
Improve website (including the development of Member Self Service (MSS) and introduction of Employer Self Service (ESS)).	Increase ability of stakeholders to interact with the Fund via self-service facilities (operational efficiency)  Add investment information to increase transparency	By March 2017
i-Connect	Will lead to improved quality of data held by Fund and increased efficiency of the service	Unitary Authorities to be on-board by 31 March 2017. Other employers by 31 March 2019
Maintain sufficient cash-flow to avoid fire-sale of assets to meet benefits payable	Avoid sale of assets at low process negatively impacting long-term sustainability of the fund	On-going
Investigate additional longevity insurance	Protect fund against unforeseen improvements in life expectancy	On-going
Continuous review of investment strategy	Ensure that investment strategy is "fit for purpose"	On-going
Review inflation hedging possibilities	Protect fund against large rises in inflation	On-going

Approved by Berkshire Pension Fund Panel: 11 April 2016