



BERKSHIRE PENSION FUND PANEL

MONDAY, 15TH MAY, 2017

At 4.00 pm

in the

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD,

SUPPLEMENTARY AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
6.	<u>PENSION FUND POLICY DOCUMENTS</u> To consider the additional appendix – Business Plan 2017-18..	3 - 18

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BUSINESS PLAN 2017-18

And

MEDIUM-TERM STRATEGY 2018/2021



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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 2017/18 and the Fund’s Medium-Term Strategy for 2018 to 2020. The Administering Authority to the Royal County of Berkshire Pension Fund is the Royal Borough of Windsor & Maidenhead (RBWM).

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 of Berkshire whilst supporting the overall corporate aims of RBWM as the Administering Authority to the Pension Fund.

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 – MISSION STATEMENT

The Royal County of Berkshire Pension Fund aims:

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 Scheme members receive the right benefits at the right time;*
- *Ensures Scheme 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:

Business Aim	Business Objective
Stakeholder Satisfaction	To deliver an effective pension service that meets the expectations of Scheme members and other stakeholders as measured by a low number of complaints and adherence to agreed KPIs.

Value for Money	<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 pension 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>
Equip Ourselves for the Future	<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>
Delivering Together	<p>To work together with Elected Members to deliver the goals and objectives of the Pension Fund Panel, to be measured by positive feedback from Lead Members.</p>

4.0 VALUES

The CREATE values of RBWM have been cascaded throughout the team and translated into local values and behaviours. In the spirit of the behaviours adopted by the Royal Borough of Windsor & Maidenhead, 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 2017/18

Pension Team Business Objective	2017/18 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.	<p>All annual benefits statements to be issued on time.</p> <p>95% of critical service standards achieved (stretch 100%).</p> <p>90% of non-critical service standards to be achieved (stretch of 95%).</p> <p>Service related complaints to be less per member than 2015/16.</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>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 2016/17 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.	Deliver 90% of tasks within the pension teams' operational plan (stretch of 95%). Deliver all agreed programmes and projects to time and budget.
To work together with Elected 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 2017/18 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;
- 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 31/03/16 (actual) £'000's	Year to 31/03/17 (forecast) £'000's	Year to 31/03/18 (forecast) £'000's
Contributions	92,957	96,500	98,600
Transfers In	4,761	6,300	6,600
Employers additional contribution for early retirements	1,058	1,300	1,800
Investment Income via Custodian	25,868	25,600	32,000
Pensions Paid (Gross)	-77,854	-82,000	-83,400
Retirement Lump Sums	-17,213	-20,600	-21,200
Transfers Out	-7,831	-2,700	-6,500
Investment Management Costs	-5,783	-6,200	-6,600
Employee & Other Costs	-1,212	-1,200	-1,300
Net Cash Flow	14,751	14,751	17,000

8.0 KEY INITIATIVES 2017/18

Business Objective	Key Initiatives
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>Ensure that Pension Administration Software is kept up to date.</p> <p>Complete Desktop Procedures by March 2018 to ensure consistency of working practices in the Pension Administration Team and to enable PASA accreditation in 2018/19.</p> <p>To continue to work with Scheme employers to increase the percentage of member records administered via i-Connect from 27% at March 2017 to 60% by March 2018.</p> <p>Continual review of Service Level Agreements to ensure they remain current.</p> <p>Annual review of the Pension Administration Strategy.</p> <p>Annual review of Communications Policy with the continuing aim to provide Scheme information digitally wherever possible.</p> <p>Keep members up to date via newsletters and Scheme employers up to date via bulletins.</p> <p>Run Pension Surgeries at least twice</p>

	<p>annually for each Unitary Authority and at least once a year for other Scheme employers upon request.</p> <p>Continue to provide training and literature for Scheme employers to assist them in administering the Scheme on behalf of their employees.</p> <p>Continue to provide presentations and literature for Scheme members to provide greater understanding of their Scheme.</p> <p>Maintain the Pension Fund web-site to the highest standards ensuring that all information is current and accurate.</p> <p>Implement an Employer Self Service (ESS) application to enable Scheme employers to access the pension details of their own employees.</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 and external audit comments and feedback.</p>	<p>Produce Annual Financial Statements so they can be published by 1 December 2017.</p> <p>Complete contributions reconciliation.</p> <p>Achieve a clean audit.</p> <p>Complete Year End procedures in advance of 31 August 2017 to enable prompt issue of annual benefit statements.</p> <p>Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2017.</p> <p>Apply Pensions Increase and HMT Revaluation Orders.</p> <p>Issue P60's and payslips.</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 continuing compliance with the Pensions Regulator's Code of Practice number 14.</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 that staff receive appropriate training internally and from external providers.</p>
To work together with Elected 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>

9.0 REVIEW OF 2016/17 KEY INITIATIVES

In 2016/17 we said that we would:

Business Objective	Key Initiatives	Outcome
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	Achieved. All Pension Administration Software has been kept up to date.
	Finalise Desktop Procedures to ensure consistency of working practices in the Pension Administration Team	Partially achieved. 78 Desktop procedures have been compiled, approved and reviewed. 66 have yet to be created.
	Continue to promote and encourage employers to use	Achieved. 27% of Scheme members records were

	<p>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>administered using i-Connect at March 2017 an increase of 15% from March 2016.</p> <p>Achieved. New SLA was implemented from 1 April 2016.</p> <p>Achieved. All newsletters produced throughout 2016/17 on time and in line with the Fund's Communication policy.</p> <p>Achieved. 2 Additional surgeries were held at Unitary Authority level (a total of 14 in the year) plus a further 8 surgeries were held as hosted by other Scheme employers. (563 members attended).</p> <p>Achieved. 7 employer training sessions provided.</p> <p>Achieved. 6 presentations provided.</p> <p>Achieved. Web-site is continually reviewed and updated.</p> <p>Partially achieved. As e-communications improve fewer requests for site visits are received.</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>Not achieved. Letter of Intent to join the London Pensions Partnership (LPP) submitted within required DCLG deadline.</p> <p>Achieved.</p>

	Ensure that no fire-sale of assets is required to meet benefit payments	Achieved.
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.	Produce Annual Financial Statements so they can be published by 1 December 2016.	Achieved. Document published and available from Pension Fund website.
	Complete contributions reconciliation.	Achieved.
	Achieve a clean audit.	Achieved. Audit rating 'Complete and Effective – Highest out of 4 Audit Opinions'.
	Complete Year End procedures before 31 August 2016 to enable prompt issue of annual benefit statements.	Partially achieved. 97.53% of procedures were completed on time. Remaining 2.47% of procedures were not completed on time due to certain Scheme employer data received by the Fund being of a poor quality.
	Annual Benefit Statements (Active and Deferred members) to be issued by 31 August 2016.	Partially achieved. 100% of deferred member statements issued on time. 97.53% of active member statements issued on time the remaining 2.47% be issued out of time due to issues with certain Scheme employer data. Matter now resolved and being kept under review.
	Apply Pensions Increase and HMT Revaluation Orders.	Achieved. Pensions Increase applied in line with statutory legislation.
	Issue P60's and payslips.	Achieved. All documents issued in line with statutory legislation.
Ensure that employers complete Policy Statements as required by LGPS Regulations 2013.	Partially achieved. A small number of Scheme employers have yet to issue their policies but are kept under review.	

	<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>	<p>Achieved. Pension Board receive everything required to operate effectively.</p> <p>Achieved. All policies are kept under review and updated as necessary.</p> <p>The Pension Board procured an audit review of the administering authority's compliance with Code 14 with a number of minor concerns being identified and resolved.</p> <p>Achieved. Valuation report, including the rates and adjustment certificate, is available from the Pension Fund website.</p>
<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.</p>	<p>Monitor staff requirements to ensure a high quality service is provided to stakeholders..</p>	<p>Achieved.</p>
<p>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>	<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>	<p>Achieved.</p> <p>Achieved.</p>
<p>To work together with Members to deliver the goals and objectives of the Pension</p>	<p>Ensure Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members</p>	<p>Achieved.</p>

Fund Panel, to be measured by positive feedback from Lead Members.	receive appropriate training. Ensure that Pension Fund Panel, Pension Fund Advisory Panel and Pension Board members understand the Fund's strategy.	Achieved.
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10.0 MEDIUM TERM PLAN 2018/21

The following table details the medium term plan for the Pension Fund for the period 2018 to 2021.

Objective	Rationale	Timescale
Investment Pooling.	Required by the Department for Communities and Local Government per their announcement 25 November 2015.	Letter of Intent to join Local Pensions Partnership (LPP) issued but not yet confirmed. Initial pooling of assets to be underway by 1 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 2018. Accreditation to be achieved during 2018/19.
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 undertaken in 2016/17. Further work required in 2017/18.
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 to individuals for whom it is believed there is no liability.	By December 2018.
Introduction of Employer Self Service (ESS)).	Increase ability of Scheme employers to interact with the Fund via self-service facilities (operational efficiency)	By June 2017
i-Connect	Will lead to improved quality of data held by Fund and increased efficiency of the service	60% of Scheme member records to administered via i-Connect by 31 March 2018 100% (or maximum viable) achieved 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: