

## **Committee: Pension Fund Advisory Committee**

**Date: 29 June 2016**

Agenda item: 5

Wards: All

**Subject: DRAFT PENSION FUND BUSINESS PLAN 2016/17**

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact officer: Paul Dale

This document is a public document

### **Recommendations:**

- a) To consider and approve the draft Pension Fund Business Plan 2016/17 set out at Appendix 1 of this report; and
- b) To read this report in conjunction with the draft PFAC Work Programme 2016/17, which is the subject of a separate report to this meeting

---

## **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 London Borough of Merton as Administering Authority of Merton Pension Fund is responsible for the administration and investment arrangements for the Pension Fund. The draft Pension Fund Business Plan 2016/17 will provide the Authority with a clear framework and mechanism to carry out its responsibilities and monitor agreed actions.
- 1.2 This report should be read in conjunction with a separate report to this meeting titled "draft Pension Fund Advisory Committee Work Programme 2016/17" as the Pension Fund Business Plan underpins the Committee's responsibilities detailed in draft PFAC Work Programme for the coming year.
- 1.3 The draft Business Plan will ensure that all key matters are covered and the required actions are carried out and monitored effectively during the year.

## **2. DRAFT PENSION FUND BUSINESS PLAN 2016/17**

- 2.1 The draft Business Plan is attached to this report at Appendix 1. It will provide the Authority the framework to carry out the required actions to comply with the LGPS regulations and best practice.

2.2 The draft Business Plan and actions will be monitored quarterly by officers and a review carried out by PFAC at the end of the year to show the extent to which the Authority and PFAC met the key priorities for the year.

2.3 Key actions in the draft Business Plan for 2016/17 include:

- To carry out statutory triennial actuarial valuation of the Pension Fund as at 31 March 2016 with a Rates and Adjustment Certificate effective from 1 April 2017.
- To review the investment strategy of the Pension Fund and investment management arrangement.
- To make a refined submission to DCLG Consultation by no later than 15 July 2016.
- To work collaboratively on pooling with other London boroughs via the London CIV.
- To work collaboratively with other London boroughs on the Pension Shared Service arrangement for pension administration.
- To review and update key documents of the Pension Fund.
- To publish audited Pension Fund Annual Report and Accounts 2015/16 before the 1 December 2016 statutory deadline.
- To communicate effectively with scheme members and employers.
- To monitor the performance of the Pension Fund assets.
- To monitor the Pension Fund finances; and
- To review and maintain a Risk Register.

### **3. CONSULTATION UNDERTAKEN OR PROPOSED**

3.1 N/A

### **4. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

4.1 The investment strategy chosen will affect the return on the fund, its actuarial valuation and the cost to the Council.

### **5. LEGAL AND STATUTORY IMPLICATIONS**

5.1 There are no legal implications other than those normally associated with these matters.

**6. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

6.1 N/A

**7. CRIME AND DISORDER IMPLICATIONS**

7.1 N/A

**8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

8.1 N/A

**9. APPENDICES**

Draft Pension Fund Business Plan 2016/17.

**10. BACKGROUND PAPERS**

None

**APPENDIX 1: DRAFT PENSION FUND BUSINESS PLAN 2016/17**

AREA OF ACTIVITY	REQUIRED ACTION	START DATE	COMPLETION DATE
<b>Investment Strategy</b>			
	Review Investment Strategy with input from the Investment Adviser.	Quarter 1 (April – June 2016)	Quarter 3 (Sept – Dec 2016)
	<ul style="list-style-type: none"> <li>• Agree asset allocation</li> </ul>	Quarter 3 (Sept – Dec 2016)	Quarter 3 (Sept – Dec 2016)
	<ul style="list-style-type: none"> <li>• Agree and adopt new benchmarks</li> </ul>	Quarter 3 (Sept – Dec 2016)	Quarter 3 (Sept – Dec 2016)
	<ul style="list-style-type: none"> <li>• Determine new investment management arrangement</li> </ul>	Quarter 3 (Sept – Dec 2016)	Quarter 4 (Jan – Mar 2017)
	<ul style="list-style-type: none"> <li>• Work with the London CIV to meet Government pooling criteria.</li> </ul>	On-going/Quarterly	On-going/Quarterly
<b>Performance Monitoring</b>			
	Monitor Pension Fund performance	On-going/Quarterly	On-going/Quarterly
	<ul style="list-style-type: none"> <li>• Assess individual fund manager’s performance</li> </ul>	Quarterly	Quarterly
	<ul style="list-style-type: none"> <li>• Fund manager presentation to PFAC</li> </ul>	Quarterly	Quarterly
	<ul style="list-style-type: none"> <li>• Annual Performance Review</li> </ul>		
<b>Actuarial Valuation</b>			
	Triennial Actuarial Valuation	Quarter 1 (April – June 2016)	Quarter 4 (Jan – Mar 2017)
	<ul style="list-style-type: none"> <li>• New rates and adjustment certificate effective 1 April 2017</li> </ul>	Quarter 3 (Sept – Dec 2016)	Quarter 4 (Jan – Mar 2017)
	<ul style="list-style-type: none"> <li>• Pension Fund actuarial position.</li> </ul>	Quarterly	Quarterly

<b>Funding Strategy Statement</b>			
	Review and update the Funding Strategy Statement and set contribution rates for employers	Quarter 3 (Sept – Dec 2016)	Quarter 4 (Jan – Mar 2017)
<b>Statement of Investment Principles</b>			
	Review and update the Statement of Investment Principles.	Quarter 3 (Sept – Dec 2016)	Quarter 3 (Sept – Dec 2016)
<b>Governance</b>			
	Review overall governance arrangement in line with Government reforms.	Quarter 3 (Sept – Dec 2016)	Quarter 3 (Sept – Dec 2016)
	<ul style="list-style-type: none"> <li>Review PFAC Annual Training programme</li> </ul>	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)
	<ul style="list-style-type: none"> <li>Review PFAC Annual Work Programme</li> </ul>	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)
	<ul style="list-style-type: none"> <li>Review the Pension Fund Risk Register</li> </ul>	On-going/Quarterly	On-going/Quarterly
<b>Merton Pension Board</b>			
	Review meeting arrangement for the Local Pension Board for the year.	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)
	<ul style="list-style-type: none"> <li>Review Board Training Programme</li> </ul>	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)
	<ul style="list-style-type: none"> <li>Review Board Annual Work Programme</li> </ul>	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)
<b>Pension Administration</b>			
	Monitor Pension Shared Service	On-going	On-going
	<ul style="list-style-type: none"> <li>Activity and performance against agreed performance targets</li> </ul>	On-going	On-going
	<ul style="list-style-type: none"> <li>Cost (Value for money)</li> </ul>	On-going	On-going

	<ul style="list-style-type: none"> <li>• Feedback from clients/users</li> </ul>	On-going	On-going
<b>Communication</b>			
	Review communication strategy for scheme members and employers.	Quarter 3 (Sept – Dec 2016)	Quarter 3 (Sept – Dec 2016)
	<ul style="list-style-type: none"> <li>• Online</li> </ul>		
	<ul style="list-style-type: none"> <li>• Newsletter</li> </ul>		
	<ul style="list-style-type: none"> <li>• AGM/Seminar</li> </ul>		
<b>Reporting</b>			
	Report on the Pension Fund performance.	Quarter 3 (Sept – Dec 2016)	Quarter 3 (Sept – Dec 2016)
	<ul style="list-style-type: none"> <li>• Publish audited Annual Report and Accounts 2015/16</li> </ul>	Quarter 3 (Sept – Dec 2016)	Quarter 3 (Sept – Dec 2016) (Statutory deadline: 1 December 2016)
	<ul style="list-style-type: none"> <li>• Publish reports on website as per other Council papers</li> </ul>	Quarterly	Quarterly
	<ul style="list-style-type: none"> <li>• Cashflow statement</li> </ul>	Quarterly	Quarterly
<b>Annual Review</b>			
	Review Pension Fund Business Plan together with:	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)
	<ul style="list-style-type: none"> <li>• PFAC Work Programme</li> </ul>	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)
	<ul style="list-style-type: none"> <li>• Merton Pension Board Work Programme</li> </ul>	Quarter 4 (Jan – March 2017)	Quarter 4 (Jan – March 2017)