

# Business Plan 2018/19 to 2020/21 – Q2 Update

## Governance

### Cashflow projections for 2018/19

	2016/17 £000s	2017/18 £000s	2018/19 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/ over
<b>Opening Cash</b>	(13,640)	(13,623)	(21,188)	(21,188)		
<b>Payments</b>						
Pensions	54,684	57,452	59,280	29,653	59,793	513
Lump Sums & Death Grants	14,857	13,500	15,000	7,022	14,522	(478)
Transfers Out	5,473	5,600	3,200	4,059	5,659	2,459
Expenses	3,001	3,935	3,400	1,763	3,463	63
Support Services	300	120	130	129	129	(1)
<b>Total Payments</b>	<b>78,315</b>	<b>80,607</b>	<b>81,010</b>	<b>42,626</b>	<b>83,566</b>	<b>2,556</b>
<b>Income</b>						
Employer Contributions	(32,787)	(34,617)	(35,200)	(20,292)	(36,492)	(1,292)
Employee Contributions	(13,779)	(15,259)	(14,000)	(6,884)	(13,884)	116
Employer Deficit Payments	(28,474)	(52,612)	(18,123)	(18,248)	(18,728)	(605)
Transfers In	(2,540)	(4,813)	(2,000)	(2,874)	(3,874)	(1,874)
Pension Strain	(2,282)	(1,057)	(1,200)	(744)	(1,344)	(144)
Income	(146)	(29)	(40)	(21)	(41)	(1)
<b>Total Income</b>	<b>(80,008)</b>	<b>(108,387)</b>	<b>(70,563)</b>	<b>(49,063)</b>	<b>(74,363)</b>	<b>(3,800)</b>
<b>Cashflow Net of Investment Income</b>	<b>(1,693)</b>	<b>(27,780)</b>	<b>10,447</b>	<b>(6,437)</b>	<b>9,203</b>	<b>(1,244)</b>
Investment Income	(3,019)	(3,540)	(3,000)	(3,649)	(5,149)	(2,149)
Investment Expenses	2,991	3,035	3,000	1,526	3,026	26
<b>Total Net of In House Investments</b>	<b>(1,721)</b>	<b>(28,285)</b>	<b>10,447</b>	<b>(8,560)</b>	<b>7,080</b>	<b>(3,367)</b>
<b>In House Investments</b>						
Draw downs	45,146	73,893	86,790	43,058	90,815	4,025
Distributions	(56,614)	(52,294)	(80,337)	(32,031)	(77,032)	3,305
<b>Net Expenditure /(Income)</b>	<b>(11,468)</b>	<b>21,599</b>	<b>6,453</b>	<b>11,027</b>	<b>13,783</b>	<b>7,330</b>
<b>Total Net Cash Flow</b>	<b>(13,189)</b>	<b>(6,686)</b>	<b>16,900</b>	<b>2,467</b>	<b>20,863</b>	<b>3,963</b>
Rebalancing Portfolio	13,206	(879)		(185)	-185	(185)
<b>Total Cash Flow</b>	<b>17</b>	<b>(7,565)</b>	<b>16,900</b>	<b>2,282</b>	<b>20,678</b>	
<b>Closing Cash</b>	<b>(13,623)</b>	<b>(21,188)</b>	<b>(4,288)</b>	<b>(18,906)</b>	<b>(510)</b>	

## Operating Costs

	2016/17	2017/18	2018/19			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/ over
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Governance Expenses</b>						
Employee Costs (Direct)	236	229	243	96	237	(6)
Support & Services Costs (Internal Recharges)	22	23	18	0	18	0
IT (Support & Services)	4	5	5	0	5	0
Other Supplies & Services)	58	69	87	42	87	0
Miscellaneous Income	(11)	0		0	0	0
Audit Fees	39	39	40	(3)	40	0
Actuarial Fees	335	217	324	176	324	0
Consultant Fees	703	458	589	358	689	100
Advisor Fees	188	202	178	172	304	126
Legal Fees	59	37	24	24	40	16
Pooling (Additional Costs)		53	224	35	224	0
<b>Total Governance Expenses</b>	<b>1,633</b>	<b>1,332</b>	<b>1,732</b>	<b>900</b>	<b>1,968</b>	<b>236</b>
<b>Investment Management Expenses</b>						
Fund Manager Fees*	14,386	20,539	16,593	1,468	20,000	3,407
Custody Fees	31	31	31	8	34	3
Performance Monitoring Fees	57	67	66	29	66	0
Pooling (Additional Costs)			50	0	n/k	n/k
<b>Total Investment Management Expenses</b>	<b>14,474</b>	<b>20,637</b>	<b>16,740</b>	<b>1,505</b>	<b>20,100</b>	<b>3,410</b>
<b>Administration Expenses</b>						
Employee Costs (Direct)	648	649	776	367	776	0
Support & Services Costs (Internal Recharges)	100	105	66	0	66	0
Outsourcing	260	227	1,000	174	1,000	0
IT (Support & Services)	290	271	413	349	413	0
Member Self Service	0	15	0	0	0	0
Other Supplies & Services)	70	139	106	36	106	0
Miscellaneous Income	0	0	0	0	0	0
<b>Total Administration Expenses</b>	<b>1,368</b>	<b>1,406</b>	<b>2,361</b>	<b>926</b>	<b>2,361</b>	<b>0</b>
<b>Employer Liaison Team</b>						
Employee Costs (Direct)		163	194	98	194	0
<b>Total Costs</b>	<b>17,475</b>	<b>23,538</b>	<b>21,027</b>	<b>3,429</b>	<b>24,623</b>	<b>3,646</b>

## Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
✕	Original item where the period has been moved or task deleted since original business plan

## Governance Tasks

Ref	Key Action –Task	2018/19 Period				Later Years	
		Q1	Q2	Q3	Q4	2019/20	2020/21
G3	Review of Governance Related Policies	x	xM	x		x	x
G4	Cybercrime	x	x				
G5	Structure Review of Finance Team	x	x	x			
G6	Review/ Tender Actuarial Contract	x	x	x			
G7	Review/Tender Investment Consultancy and Independent Adviser Contracts			x	x	xM	

## Governance Task Descriptions

### G3– Review of Governance Related Policies

#### What is it?

The CPF has a number of policies focussing on the good governance of the Fund, as follows:

- Conflicts of Interest Policy - March 2015
- Procedure for Recording and Reporting Breaches of the Law - November 2015
- Training Policy – November 2015
- Risk Policy – September 2017
- Governance Policy and Compliance Statement – March 2017

All of these policies are subject to a fundamental review at least every three years. In addition, the reviews will incorporate any changes as a result of the move to asset pooling with the Wales Pensions Partnership.

#### Timescales and Stages

Conflicts of Interest Policy - March 2015	2018/19 Q1
Procedure for Recording and Reporting Breaches of the Law & Training Policy - November 2015	2018/19 Q3
Governance Policy and Compliance Statement – March 2017	2019/20 Q1
Risk Policy – September 2017	2020/21 Q2/3

#### Resource and Budget Implications

It is expected this will mainly involve the Pension Fund Manager taking advice from the Independent Adviser. Estimated costs are included in the budget.

### G4 – Cybercrime

#### What is it?

With large volumes of personal and financial data processed within a relatively less sophisticated security environment by comparison to other financial institutions, pension schemes are an increasingly attractive target for cybercriminals. LGPS funds predominantly rely on the processes and security of their parent local authorities due to the IT systems sitting on local authority infrastructure.

Flintshire County Council currently have a programme of work considering the risk of cybercrime. It is planned that the pension team will be part of this work but will then expand it as required to give appropriate assurances on the security of the pension systems, and a better understanding of any ongoing work required to ensure the appropriate level of security remains.

#### Timescales and Stages

Ongoing work with FCC on council's cybercrime programme	2018/19 Q1 to Q2
Understand and develop any ongoing CPF specific cybercrime requirements	2018/19 Q1 to Q3

#### Resource and Budget Implications

It is expected this will mainly involve the Pension Administration Manager working with Council staff. No additional budget has been assumed for external parties at this point.

## **G5 – Structure review of Finance Team**

### **What is it?**

As a result of the retirement of a Finance Manager, the impact of asset pooling, the increased work associated with Governance, and the need to reduce the risk associated with key persons within the structure, the Finance Team is being restructured.

### **Timescales and Stages**

Finalise structure and carry out recruitment

2018/19 Q1 to Q3

### **Resource and Budget Implications**

To be led by Pension Fund Manager with FCC Human Resources Team. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget and these are not yet included in the proposed budget. Additional costs that may arise as a result of greater use of consultants during the period of implementation and whilst posts remain vacant are estimated in the proposed budget.

## **G6 – Review/Tender Actuarial Contract**

### **What is it?**

The Council needs to review its current actuarial contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. This review should include Funding Risk Management and Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender. Due to the triennial actuarial valuation of the Fund during 2016/17 and the ongoing need to prioritise work around asset pooling, this was deferred.

### **Timescales and Stages**

Review current actuarial contract and identify tender process

2018/19 Q1

Conduct tender for actuarial services

2018/19 Q2/3

### **Resource and Budget Implications**

To be led by Pension Finance Manager. All internal costs are being met from the existing budget.

## **G7 – Review/Tender Investment Consultancy and Independent Adviser Contracts**

### **What is it?**

The Fund's investment consultancy and independent Adviser contracts reached their initial break point on 31 March 2017 albeit, due to Government changes to investment regulations, including pooling, and also the implications of MIFID II, they were extended for 2 years (to 31 March 2019) to provide stability and consistency of approach. For these reasons the contracts will be reviewed during 2018/19. This will initially involve a review of whether the existing services should be retendered in their current format or whether there is a more appropriate consultancy contracts that could be put in place. Note that, as a result of pooling, it may be preferred to look for options to extend these contracts for a further short period, so as to identify the most appropriate services going forward.

### **Timescales and Stages**

Review appropriateness/decide format of future contracts

2018/19 Q3

Conduct tender for services

2018/19 Q4

### **Resource and Budget Implications**

To be led by Pension Finance Manager within existing budget.