

Business Plan 2018/19 to 2020/21 – Q3 Update

Governance

Cashflows projections for 2018/19

	2016/17 £000s	2017/18 £000s	2018/19 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
Opening Cash	(13,640)	(13,623)	(21,188)	(21,188)		
Payments						
Pensions	54,684	57,452	59,280	44,656	59,976	696
Lump Sums & Death Grants	14,857	13,500	15,000	11,428	15,178	178
Transfers Out	5,473	5,600	3,200	5,142	6,142	2,942
Expenses	3,001	3,935	3,400	2,865	3,865	465
Support Services	300	120	130	129	259	129
Total Payments	78,315	80,607	81,010	64,220	85,420	4,410
Income						
Employer Contributions	(32,787)	(34,617)	(35,200)	(30,204)	(39,104)	(3,904)
Employee Contributions	(13,779)	(15,259)	(14,000)	(10,502)	(14,002)	(2)
Employer Deficit Payments	(28,474)	(52,612)	(18,123)	(18,541)	(18,781)	(658)
Transfers In	(2,540)	(4,813)	(2,000)	(3,679)	(4,179)	(2,179)
Pension Strain	(2,282)	(1,057)	(1,200)	(1,471)	(1,671)	(471)
Income	(146)	(29)	(40)	(33)	(43)	(3)
Total Income	(80,008)	(108,387)	(70,563)	(64,430)	(77,780)	(7,217)
Cashflow Net of Investment Income	(1,693)	(27,780)	10,447	(210)	7,640	(2,807)
Investment Income	(3,019)	(3,540)	(3,000)	(5,753)	(6,503)	(3,503)
Investment Expenses	2,991	3,035	3,000	2,270	3,020	20
Total Net of In House Investments	(1,721)	(28,285)	10,447	(3,693)	4,157	(6,290)
In House Investments						
Draw downs	45,146	73,893	86,790	70,642	99,540	12,750
Distributions	(56,614)	(52,294)	(80,337)	(48,364)	(75,988)	4,349
Net Expenditure /(Income)	(11,468)	21,599	6,453	22,278	23,552	17,099
Total Net Cash Flow	(13,189)	(6,686)	16,900	18,585	27,709	10,809
Rebalancing Portfolio	13,206	(879)		(10,120)	(10,120)	(10,120)
Total Cash Flow	17	(7,565)	16,900	8,465	17,589	
Closing Cash	(13,623)	(21,188)	(4,288)	(12,723)	(3,599)	

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
Governance Expenses						
Employee Costs (Direct)	236	229	243	144	194	(49)
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	59	79	(8)
Miscellaneous Income	(11)	0		0	0	0
Audit Fees	39	39	40	7	40	0
Actuarial Fees	335	217	324	309	409	85
Consultant Fees	703	458	589	591	691	102
Advisor Fees	188	202	178	331	431	253
Legal Fees	59	37	24	46	66	42
Pooling (Additional Costs)		53	224	46	144	(80)
Total Governance Expenses	1,633	1,332	1,732	1,533	2,077	345
Investment Management Expenses						
Fund Manager Fees*	14,386	20,539	16,593	2,159	20,500	3,907
Custody Fees	31	31	31	16	34	3
Performance Monitoring Fees	57	67	66	42	66	0
Pooling (Additional Costs)			50	0	9	(41)
Total Investment Management Expenses	14,474	20,637	16,740	2,217	20,609	3,869
Administration Expenses						
Employee Costs (Direct)	648	649	776	566	776	0
Support & Services Costs (Internal Recharges)	100	105	66	0	66	0
Outsourcing	260	227	1,000	236	300	(700)
IT (Support & Services)	290	271	413	361	413	0
Member Self Service	0	15	0	0	0	0
Other Supplies & Services)	70	139	106	47	70	(36)
Miscellaneous Income	0	0	0	0	0	0
Total Administration Expenses	1,368	1,406	2,361	1,210	1,625	(736)
Employer Liaison Team						
Employee Costs (Direct)		163	194	150	202	8
Total Costs	17,475	23,538	21,027	5,110	24,513	3,486

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
x	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
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.

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
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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.