

From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 12 March 2021

Subject: Pension Fund Business Plan

Classification: Unrestricted

Summary:

To advise the Committee of the progress made to date on the business plan and related costs

Recommendation:

The Committee is recommended to agree the updated Business Plan and the budget required to deliver the plan in 2020-21 and 2021-22 in particular the increased funding to implement the recommendations of the finance function review.

FOR DECISION

1. Introduction

- 1.1 The Committee is asked to agree the updated business plan and forecast costs required to deliver the plan in 2020-21 and 2021-22.
- 1.2 At its meeting on 12 February the Pensions Board noted this report.
- 1.3 The report has been updated to take into account the withdrawal by HM Government of the exit cap legislation on 12 February.

2. Business plan

- 2.1 The Fund's business plan has been updated to reflect progress made to date and anticipated for 2021-22 and a copy is at appendix 1.
- 2.2 Members are asked to particularly note the following:
 - i) Work completed on the implementation of the investment strategy in particular in relation to an equity protection programme and the transition of a global equities fund to the ACCESS platform.
 - ii) Substantial progress has been made with implementing the ACCESS pooling plans. The Kent Fund is represented at all levels of the ACCESS pool and it is anticipated that going forward the amount of work involved will increase as plans are progressed to pool those investments still held outside the pool.

- iii) The Fund's 2019-20 annual report and accounts were signed off at the end of November 2020 and published to the website. The timetable for the preparation of the 2020-21 report and accounts is yet to be finalised.
- iv) We still await the outcomes of the consultations on the McCloud remedy.
- v) On 12 February 2021 the Government announced that they would disapply the £95k exit cap legislation with immediate effect. The Pensions admin team had done a considerable amount of work on the implementation and communication of the legislation and this has had to be unwound. The business plan seen by the Board and at appendix 1 still refers to the work in 2021-22 as the government has stated that it intends to introduce new legislation soon which is expected to add to the workload of the team.
- vi) Barnett Waddingham are making progress on the review of the governance of the Pension Fund including the KCC finance support for the Fund. They are expected to have made substantial progress by the end of March 2021 and during 2021-22 they will complete their review and work with officers on the implementation of the recommendations.
- vii) As agreed by the Committee the RI working group has commenced its review of the Fund's RI policy and consideration of the implementation of the policy. This work will be ongoing through the remainder of 2020-21 and into 2021-22.
- viii) A review of the Fund's strategic asset allocation taking into account the 2019 valuation results is planned for mid-year 2021 with any agreed changes to the Fund's investments then being made including possible further transitions to the ACCESS platform.

3. 2020-21 forecast

- 3.1 Total forecast costs to support the 2020-21 business plan are now £4.78m and details are included in the table below.
- 3.2 At the current time it is anticipated that additional costs will be incurred in relation to investment consultancy provided by Mercer in particular for the establishment of an equity protection programme. We are also forecasting higher audit costs due to the additional work requiring to be undertaken in relation to the annual audit of the Fund.

4. Draft 2021-22 budget

- 4.1 It is anticipated that the costs to support the 2021-22 business plan will amount to some £5.05m, an increase of £0.27m mainly due to forecast higher costs of the KCC finance support.
- 4.2 The budgets for pension administration, investment accounting and governance include increased funding to implement the recommendations of the finance function review. We will bring an update to the next committee reflecting further progress with the governance review and the implementation of the recommendations.

- 4.3 The resources required to support the Fund's RI programme have yet to be considered.
- 4.4 Higher investment and governance consultancy costs reflect the reviews planned. Costs for the equity protection consultancy are projected to be lower as the programme has been implemented and will only incur monitoring costs going forward.

5. Pension Fund Management Costs

	Agreed Budget 2020-21	Forecast costs 2020-21	(Overspend) / Underspend	Draft Budget 2021-22
	£	£	£	£
Pensions Administration	3,411,900	3,411,900		3,610,000
Pension Payroll Services	225,973	225,973	-	226,000
Payment services	17,340	17,340	-	17,400
Financial Services	68,340	68,340	-	69,000
Administration Expenses	3,723,553	3,723,553	-	3,922,400
Actuarial Fee including cost of valuation	260,000	260,000	-	250,000
Legal Fees	125,000	50,000	75,000	50,000
Direct recovery of actuary, legal fees and admin costs	(225,000)	(225,000)	-	(225,000)
Subscriptions	46,000	46,000	-	46,000
ACCESS pooling costs	100,000	90,000	10,000	115,000
Investment Accounting and Oversight costs	400,000	400,000	-	600,000
Performance Measurement Fees	10,000	10,000	-	12,000
Investment and governance consultancy	210,000	180,000	30,000	180,000
Equity Protection consultancy		180,000	(180,000)	30,000
Other professional advice	20,000	20,000	-	20,000
Governance and Oversight Expenses	946,000	1,011,000	(65,000)	1,078,000
Audit fee	24,000	50,000	(26,000)	50,000
Total	4,693,553	4,784,553	(91,000)	5,050,400

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