

SUPERANNUATION FUND

BUSINESS PLAN 2011-12



INTRODUCTION

This is the first annual update of the 3 year business plan for the Superannuation Fund. The 3 year period 1 April 2010 to 31 March 2013 was chosen to coincide with the actuarial valuation period.

The plan will be reviewed by Committee annually at its May meeting.

GOVERNANCE

The County Council, as administering authority for the Kent Pension Fund, has formally delegated responsibilities for the management of the Fund to the Superannuation Fund Committee. This is a main committee of the County Council. The Committee consists of:

- 8 County Councillors
- 3 District Councillors

(all with full voting rights)

- 1 Medway Council Councillor
- 2 Kent Active Retirement Fellowship representatives
- 1 Union representative
- 1 Staff representative

The Committee meets 6 times a year.

There is a half day Pensions and Investments Conference for scheme employers held in November.

OBJECTIVES

The objectives of the Committee are:

- To provide for scheme members' pensions and lump sum benefits on their retirement and for dependants benefits.

- To achieve a 100% funding level, over the long term, with the accrued benefits fully covered by the actuarial valuation of the Fund.
- To fully comply with legal requirements for the management and governance of the Fund.
- To determine a suitable investment strategy in light of the Fund's liabilities and risk appetite.
- To appoint external investment managers and professional advisers.
- To monitor the performance of external investment managers.
- To provide an efficient and responsive pensions administration service.
- To communicate effectively with the Fund's participating employers and members.

THE FUNDING LEVEL AND EMPLOYERS' CONTRIBUTION RATE

The Committee seeks to achieve a 100% funding level and stable contribution rate by:

- Commissioning a full actuarial valuation of the Fund every 3 years as required by law to determine employers' contribution levels. The results of the 31 March 2010 actuarial valuation of the Fund were reported in late 2010.
- Commissioning an asset / liability modelling following valuations or as necessary to help determine the best asset allocation needed to meet the Fund's liabilities.
- Maintaining a Funding Strategy Statement.
- Where an actuarial valuation reveals a past service deficit, agreeing employers' contributions with the actuary to recover the deficit.

INVESTMENT OF THE FUND

The Committee seeks a return on the Fund's investment which will enable a 100% funding level to be achieved over a period determined by the Fund actuary. At the 2010 valuation the actuary assumed an investment return of 6.1% per annum. The Committee aims to achieve this by:

- Using the results of asset / liability modelling to set a long term strategic asset allocation for the Fund.
- Appointing specialist investment managers to manage each asset class against specified benchmarks.
- Regularly reviewing managers performance against the performance benchmarks set.
- Monitoring variations for the strategic asset allocation and determining what action to take.
- Taking tactical asset allocation decisions where deemed appropriate.
- Commissioning specialist investment advice from Hymans Robertson.

ADVICE

The Director of Finance is the lead officer for the Fund. Day to day management of the Fund is delegated to the Head of Financial Services supported by the Treasury and Investments Manager and the Pensions Manager.

The principal professional advisers to the Fund are:

- Barnett Waddingham as actuary
- Hymans Robertson as investment consultant

Legal advice is provided by KCC's in-house Legal Services Unit.

BEST PRACTICE

The Committee will consider best practice as recommended by the Government, the Local Government Pensions Committee, the National Association of Pension Funds, the Chartered Institute of Public Finance and Accountancy and other organisations specialising in pensions investments.

REVIEW OF 2010-11

The main achievements of the Fund in 2010-11 were:

- Management of the actuarial valuation process – data was provided to the actuary ahead of the deadline and information on employer contribution rates was provided to the major employers on time. Information to smaller employers was delayed. The outcomes of the valuation at Fund level were highly satisfactory with the funding level increasing by 4% to 77% and at the employer contribution rate reducing by 2%. Of the 16 local authority employers 15 saw a reduction in the rate the actuary was prepared to certify. The decision to appoint Barnet Waddingham as actuary in 2009 has been confirmed as providing a technically robust approach which reflects the reality of employers financial positions as much as possible.
- Fund governance – the Committee looked at its' governance arrangements and decided to move to a 6 meeting structure in 2011 and onwards.
- Established separate bank accounts – a separate bank account for the Superannuation Fund has been set up and cash is managed on a fully segregated basis using counterparties agreed by the Superannuation Fund Committee.
- Private equity manager appointment – Harbourvest were appointed to manage a £75m private equity fund of funds mandate in May 2010.
- Infrastructure manager appointment – Partners Group were appointed to manage a £75m infrastructure fund of funds mandate in November 2010.
- Currency manager appointment – in March 2011 members decided not to proceed with this appointment.
- Fund Accounts – produced on time in June 2010 with an unqualified audit opinion.
- Annual report and accounts – revised annual report meeting the new DCLG requirements produced on time in November 2010.
- Members training plan – plan agreed June 2010.
- Development of the website – the website www.Kent.gov.uk/pensions has been fully updated.

- Pensions administration – regular reports have been made to the Committee and performance against the Key Performance Indicators has been good.
- Fund performance – the WM comparative figures for the Fund for the financial year are not yet available and a full report will be provided to the Committee at its meeting on 1 July. The 2010 calendar year performance numbers were good. The main change in the year was the sacking of Alliance Bernstein in August 2010 – the funds were moved to passive management by State Street.
- Employer admissions – this has been a major area of activity taking up increasing amounts of internal staff time. A review of the financial position of smaller employers was reported to Committee in March 2011.

ACTION PLAN

In Appendix I an Action Plan for 2011-12 is set out, Appendix 2 sets out longer term issues and Appendix 3 shows a plan of major events over the next 3 years.

FURTHER INFORMATION

For further information please contact Nick Vickers, Head of Financial Services, nick.vickers@kent.gov.uk or 07920 428575.

APPENDIX 1

2011-12 ACTION PLAN

Action	Issues	Timescale
Review of investment strategy, asset allocation and managers.	<ul style="list-style-type: none"> - Undertake financial modeling based upon the new actuarial valuation. - Determine changes to asset allocation. - Implement changes to manager structure. 	<p>April 2011</p> <p>May 2011</p> <p>Ongoing</p>
New Local Government Pension Scheme	<ul style="list-style-type: none"> - Implement changes as determined by Government following the Hutton Review. 	Ongoing – depending on DCLG timescales.
Treasury Management	<ul style="list-style-type: none"> - Review other options and report to Committee. 	September 2011
Fund Accounts	<ul style="list-style-type: none"> - Prepare full Fund accounts 	June 2011

Action	Issues	Timescale
Annual report and accounts	- Prepare annual report and accounts report.	November 2011
Business Plan	- Prepare a medium term business plan for the Fund	May 2011
Member Training	- Update the Member training plan	July 2011
Review and update of statutory Fund documents	- Statement of Investment Principles, Funding Strategy Statement, Governance Policy Statement, Communication Policy	Ongoing
Environmental Social and Governance Policy	- Review and update	March 2012
Pensions administration	- Monitor effectiveness through regular reporting to Committee, KPI's and CIPFA benchmarking.	Ongoing
Investment manager performance	- Monitor performance and report quarterly to Committee	Ongoing
Financial position of small employers	- Investigate potential liabilities to the Fund.	September 2011
Employer admissions	- Ensure admissions are undertaken in accordance with the LGPS regulations	Ongoing

APPENDIX 2

MEDIUM TERM ACTIONS

Action	Issues
New LGPS	<ul style="list-style-type: none">- Engage in restructuring of the LGPS- Implement agreed actions
Asset allocation	<ul style="list-style-type: none">- Review allocation to equities- Review allocation to Property and Alternatives- Develop options for tactical decision making
Pensions Administration	<ul style="list-style-type: none">- Explore options for shared working with other Councils

