

By: Corporate Director of Finance
To: Pension Board – 11 November 2019
Subject: **2019-20 Pension Fund Business Plan**
Classification: Unrestricted

Summary: To advise the Board of the 2019-20 business plan, related budget and risk register

FOR INFORMATION

INTRODUCTION

1. At its meeting on 6 September the Committee noted the 2019-20 business plan for the Fund produced by the KCC finance team and the expenditure identified as being necessary to implement the plan during 2019-20. The Committee also agreed the Fund risk register.
2. The Board is asked to note the business plan and budget as well as the Fund risk register.

2019-20 BUSINESS PLAN

3. Details of the Fund's 2019-20 business plan are attached at appendix 1. The key activities during 2019-20 are expected to be:
 - the implementation of the Fund's revised strategic asset allocation;
 - participation in ACCESS and planning for the further pooling of the Fund's investments;
 - the Fund's triennial valuation; and
 - roll out of employer and member self-service.

2019-20 BUDGET

4. Officers have estimated that the expenditure required to implement the business plan during 2019-20 totals £4.4m (2018-19 £3.6m), as per the table below. Most of these costs relate to the administration of the Scheme and providing a service to some 140,000 members.
5. While governance and oversight expenditure in 2019-20 is expected to be broadly in line with the level of spend in 2018-19 administration costs are expected to be higher by some £760k reflecting the following planned activity as previously reported to the Committee.
 - recruitment to the vacancies on the Pensions admin team,
 - clearing the backlog of unprocessed leaver cases
 - rolling out i-Connect to more employers

- implementation of member self service

PENSION FUND MANAGEMENT COSTS 2019-20

	2019-20 budget	2018-19 actual
	£	£
Pensions Administration	3,345,000	2,582,769
Pension Payroll Services	221,542	221,542
Payment services	17,000	16,600
Financial Services	67,000	67,000
Administration Expenses	3,650,542	2,887,910
Actuarial Fee including cost of valuation	300,000	252,695
Legal Fees	125,000	202,985
Direct recovery of actuary, legal fees and admin costs	-250,000	-298,239
Subscriptions	46,000	45,013
ACCESS pooling costs	110,000	137,157
Investment Accounting and Oversight costs	285,700	272,861
Performance Measurement Fees	30,000	27,175
Investment Consultancy	50,000	43,500
Other professional advice	20,000	18,934
Governance and Oversight Expenses	716,700	702,082
Audit fee	24,000	23,537
Total	4,391,242	3,613,529

6. KCC provides the fund administration, investment accounting, fund oversight and related services. It contracts with Cantium Business Solutions for payroll and payment services. Invicta Law, Barnett Waddingham and Mercer are the main providers of legal, actuarial and consultancy services. Grant Thornton is the Fund's auditor.
7. The Committee will receive half yearly updates on actual activity and costs compared to the plan.

RISK REGISTER

8. A copy of the Fund's risk register is attached at appendix 2
9. 32 risks have been identified, 6 amber and 26 green risks. There are no risks with a red score. The amber risks are:
 - a) Concentration of knowledge in a small number of officers and risk of departure of key staff or non-availability due to sickness or other issues;
 - b) Risk of increased funding deficit;
 - c) Failure of fund managers to achieve target investment returns;
 - d) Failure of manager or custodian;

- e) Risks associated with the establishment of the ACCESS pool;
- f) Complex and multiple membership arrangements.

RECOMMENDATION

- a) The Board is recommended to note the 2019-20 Business Plan and the related budget, and the Fund risk register.

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