

**DERBYSHIRE COUNTY COUNCIL**  
**PENSIONS and INVESTMENTS COMMITTEE**

**25 April 2018**

**Report of the Director of Finance & ICT**

**DERBYSHIRE PENSION FUND SERVICE PLAN**

**1. Purpose of the Report**

To seek approval for the Derbyshire Pension Fund Service Plan for 2018–19.

**2. Information and Analysis**

The Service Plan (attached as Appendix 1) sets out how both the Investment Section and the Pensions Administration Section will contribute to the priorities of the Derbyshire Pension Fund in 2018–19. It also describes how these priorities will be delivered and how success will be measured.

**3. Other Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property and prevention of crime and disorder.

**4. Officer's Recommendation**

That Members approve the 2018–19 Service Plan.

**PETER HANDFORD**  
Director of Finance & ICT

## OPERATIONAL CONTEXT

Derbyshire County Council is the administering authority for the Derbyshire Pension Fund (DPF); one of 89 regional Local Government Pension Scheme (LGPS) administering authorities in England and Wales. There are over 200 employers in the DPF, including Derbyshire County Council, Derby City Council, all the district and borough councils in Derbyshire, Peak District National Park Authority, Derbyshire Police Authority, Derbyshire Fire Authority, Derby College, Chesterfield College, University of Derby, a host of town and parish councils and a large group of smaller employers via admission agreements. There are currently around 100,000 members of Derbyshire Pension Fund; 41,000 active contributing members, 30,000 deferred beneficiaries and 29,000 members in receipt of pension.

Derbyshire Pension Fund's activities are mainly provided by the Finance & ICT Division of Derbyshire County Council's Commissioning, Communities and Policy Department. The Pension Fund is headed by Dawn Kinley, and has two sections: Investments & Pensions Administration. Both of these sections contribute to the governance of the Pension Fund.

The Investment Section actively manages a large proportion of the Fund's investments assets in house and oversees the external management of the remaining assets. The investment assets are currently valued at £4.7bn. Following the launch of LGPS Central Limited (LGPS Central) on 1 April 2018, and the resultant transfer of several members of the investment team to LGPS Central on that date, the service now comprises an Investment Manager, 1 Pension Fund Accountant and 2 Business Services Officers.

The Pensions Administration Section manages the day to day activities associated with members of the fund and their employers. The Section includes a Pensions Administration Manager, 4 Team Leaders, 46 Pensions Officers across three levels and 3 Business Services Assistants.

Key services include:

- Managing and monitoring the Fund's investment governance obligations, including supporting the Local Pension Board and maintaining the Fund's Investment Strategy Statement, Communications Policy, Governance Policy Statement, Voting Policy, and Risk Register.
- Reporting and providing support to the Pensions and Investments Committee.
- Maintaining records for around 100,000 members.
- Communicating with members and employers (e.g. supporting employing authorities with their responsibilities under LGPS regulations).
- Calculating and arranging payment of pension benefits.
- Actively managing the Fund's investment assets.
- Managing the transition of investment assets into investment vehicles offered by LGPS Central.
- Selecting, managing and monitoring the performance of the Fund's external investment managers.
- Managing the stewardship of the Fund's assets in conjunction with the external custodian.
- Co-ordinating and providing the base data for the triennial pension fund valuation.
- Managing and monitoring costs; seeking value for money and seeking to reduce average costs per member.
- Monitoring and managing the Fund's cash flows.
- Maintaining the Fund's accounting records, including monthly valuations and preparation of supporting control accounts and reconciliations. Reconciling and accounting for employee and employer contributions received, and benefits paid out.
- Providing investment settlement services (i.e. processing cash payments and receipts) in respect of the Fund's investment portfolio.

## **SIGNIFICANT ACHIEVEMENTS**

Significant achievements over the last 12 months include:

*Governance:*

- Continuing to develop the Member Training programme for the Pensions and Investments Committee and Pension Board members.
- Completing the 2017/18 Pension Fund accounts on target, and contributing to the Pension Fund Annual Report.

- Review and re-launch of the Pensions Administration Strategy.
- Compliance achieved with the requirements of The Pension Regulator's Code of Practice no.14

#### *Investments:*

- Outperforming fund specific benchmark over 1, 3, 5 and 10 years.
- Successfully completing the restructuring of the Investment Team to ensure that the Investment Section can provide asset allocation advice and support to the Director of Finance & ICT and the Pensions & Investments Committee and actively engage with, and monitor, the performance of LGPS Central, following the launch of the business on 1 April 2018.
- Developing a strong position in the creation of LGPS Central; raising the profile of DPF within the Central Pool; developing robust working relationships with other Partner Funds; taking a proactive approach to setting the pooling agenda; contributing internal resource to leading core pooling workstreams; keeping the Pensions and Investments Committee engaged with the pooling process.
- Managing the on-going transition to a new asset allocation, including a significant build in commitments to Alternatives, Property and Multi-Asset Credit.

#### *Pension Administration:*

- Completing the procurement exercise, in collaboration with Leicestershire Pension Fund, and awarding the contract for the provision of a new pensions administration system.
- Maintaining a productive, collaborative relationship with Leicestershire Pension Fund.
- Making further significant progress against the backlogs that resulted from the introduction LGPS 2014 and the inadequate performance of the pensions administration system, and significantly improving data quality through the application of a Data Improvement Plan.
- Developing improved relationships with, and information flow, from some of the larger employing authorities; supporting all employing authorities with their LGPS responsibilities via regular newsletters and training events; and carrying out an Employer Survey through the use of an on-line questionnaire.
- Providing Fund members with LGPS information sessions, in partnership with employing authorities and Prudential, in line with the Fund's Communications Strategy.
- Manually calculating and arranging prompt and accurate payment of benefits and transfer values in cases where the current pensions administration system is not functional.
- Issuing Annual Benefit Statements within the statutory deadline to active and deferred members.
- Issuing Pensions Savings Statements to members as appropriate.

- Successfully on-boarding new employing authorities in to Derbyshire Pension Fund.
- Developing a performance management regime and a quarterly performance report to Pensions Committee and Pension Board.

*Staffing:*

- Successfully recruiting a Head of Pension Fund, a new role designed to manage and set the strategy and direction for the pension fund.
- Resourcing the pensions administration team to meet the increasing complexity and other operational challenges of administering the LGPS; supporting on-going staff development; undertaking My Plan reviews and several staff members successfully completing professional training courses. Several internal promotions, demonstrating career progression opportunities.
- Successfully completing the restructuring of the Investment Section and managing the TUPE transfer of four members of the investment team into LGPS Central on 1 April 2018, ensuring that the staff were treated fairly and the transfer complied with legal requirements.

## **MEDIUM TERM CHALLENGES**

DPF is facing a number of challenges over the medium term, including:

### **Governance**

- Ensuring that the Members of the Pensions and Investments Committee and the Pension Board have the necessary training to enable them to carry out their duties in the face of increasingly demanding governance requirements, ever more complex asset classes / investment vehicles, and the developing relationship with LGPS Central Ltd.
- Recruiting and appoint to vacancies on the Pension Board as members' periods of tenure come to an end.
- Developing a standalone website and identity for the Pension Fund.

### **Investment Section:**

- Ensuring that the Fund has sufficient investment skills and experience to fulfil the following roles:
  - Providing robust asset allocation advice and support to the Pensions & Investments Committee;
  - Continuing to build the Fund's weightings to Alternatives, Property and Multi-Asset Credit in line with the Investment Strategy Statement;
  - Building a substantive and sustainable working relationship with LGPS Central;

- Participating in the development of LGPS Central's investment offering to ensure that the offering allows the Fund to implement its agreed investment strategy;
- Managing the transition of the Fund's assets into LGPS Central's investment vehicles;
- Monitoring and challenging the performance of LGPS Central to ensure there is no deterioration in performance returns;
- Monitoring the costs recharged by LGPS Central (both on-going and those associated with the transition) to ensure compliance with agreed cost sharing principles and the delivery of value for money; and
- Safeguarding the Fund's investment assets.
- Continuing to manage and control the overall level of Investment Management Expenses.

#### **Pension Administration Section:**

- Successfully migrating 100,000 records to the replacement pensions administration system.
- Developing and maintaining an effective data cleanse and monitoring regime in line with TPR guidance.
- Issuing Annual Benefit Statements by the end of August 2018.
- Issuing Pension Savings Statements by the end of September 2018.
- Completing the GMP Reconciliation exercise.
- Eliminating remaining backlogs while maintaining a good quality level of service.
- Continuing to meet the goals of the Pensions Communication Strategy.
- Meeting the requirements of the General Data Protection Regulations 2018 (GDPR).

#### **Other:**

### **SERVICE ACTIVITY AND PERFORMANCE MEASURES**

#### ***Investment Section will:***

- Continue to manage the Fund's investments with the longer term target of achieving a return in line with that set out in the actuarial assumptions.
- Monitor asset allocation and provide advice and support to the Director of Finance & ICT and Pensions & Investments Committee.
- Actively engage with, and monitor, the performance of LGPS Central.
- Actively participate in the LGPS Central Shareholders Forum, Practitioners' Advisory Forum and Joint Committee.
- Safeguard the Fund's investments assets.
- Support the Pensions and Investments Committee through a targeted rolling Member training programme.

- Monitor the Fund's governance policy statements and refresh as necessary.
- Carry out any procurement exercises in accordance with DCC procurement rules and regulations.
- Co-ordinate and respond to Investment FOI requests.
- Provide timely help and support to other DCC departments, as and when required.
- Support the Local Pension Board.

***Pension Administration Section will:***

- Calculate and arrange payment of LGPS benefits for scheme members.
- Reconcile contributions received and produce annual accounts.
- Provide Fund members and employing authorities with prompt and accurate information, support and training.
- Produce Annual Benefit Statements and Lifetime and Annual Allowance information as required.
- Improve data quality.
- Migrate to, and manage the implementation of, the replacement pensions administration system.
- Improve efficiency by:
  - Continually improving work allocation, completion and checking processes;
  - Maintaining central process notes and ensuring their use;
  - The use of training matrices in conjunction with the My Plan process to manage staff development;
  - Helping employers to provide 'right first time' starter, change and leaver information;
  - Encouraging improvements and efficiencies in governance arrangements;
  - Channelling queries through the 'one number' helpline and generic email inbox;
  - Encouraging increasing Fund member use of on-line information and facilities;
  - Taking a risk based approach to process improvement; involving staff in improvement projects; and
  - Sharing costs / effort / ideas with Leicestershire Pension Fund and others as appropriate.
- Support the Local Pension Board.

## PERFORMANCE MEASURES

Ref.	Indicator	Definition and Success Measure	Owner	Key Due Dates/Achieved
CFI1	Investment Report	Report Fund asset allocation mix, performance and recommended strategy to the Pensions and Investments Committee.	DKK / NAS	Quarterly: June, September, December and March
CFI2	PEL Performance Report	Monitor and report quarterly performance. Target out-performance over 1, 3, 5 and 10 year periods.	DKK / NAS	Quarterly: June, September, December and March
CFI3	Investment management costs per member	Monitor and seek to reduce (on a growth and mix adjusted basis) investment management expenses per member.	DKK / NAS	Annually post year-end
CFI4	LGPS Central net performance and cost recharges	Monitor the net of cost performance returns versus benchmark by mandate / product.  Monitor LGSP Central cost recharges to ensure these are in line with the agreed budget and agreed cost sharing principles.	DKK / NAS	Quarterly: June, September, December and March
CFI5	Admin cost per member	The cost of providing the pensions administration service divided by the number of members in the Derbyshire Pension Fund. Success is defined as maintaining a cost lower than the benchmark across the LGPS Funds in England and Wales.	ND	Annually post year-end
CFI6	Statement of Accounts	Deliver the Fund's year-end accounts within statutory deadlines. Deliver the Pension Fund's Annual Report within LGPS Regulations.	DKK / ND / EMS / RD	Pre-audit statutory accounts: 31 May 2018 / Post-audit statutory accounts: 31 July 2018 / Annual Report: 1 December 2018



CFI7	Three Year Cash Flow	Review and update the three year cash flow annually. Monitor cash flow performance on a quarterly basis. Targeted reduction in cash weighting towards 2.0% neutral position subject to market conditions.	RD	Update cash forecast annually in May/June. Monitor cash position on a quarterly basis
CFI8	Divisional Service Plan	Develop a Service Plan in agreement with Key Officers within the Division. Target achievement of the objectives set out in the Service plan within an appropriate time scale.	DKK	Annually
CFI9	Staff Development	Completion of Annual My Plans.	DKK / NS/ ND	On-going
CFI10	Absence management	The target is to achieve and maintain an average sickness level of less than 5 days per member of staff per year.	DKK /NS/ ND	Monthly check on Workplace
CFI11	Pension Administration Operational Reports	1) Member movement analysis 2) Status changes 3) Data cleanliness 4) Internal performance against targets 5) Individual workload	ND	Vary by report; typically monthly or quarterly
CFI12	Pension Administration System implementation	Migrate to, and manage the implementation of, the replacement pensions administration system by March 2019.	DKK / ND / Project Group	Monthly Highlight Report