

Pension Fund Annual Reports How far do Funds comply?

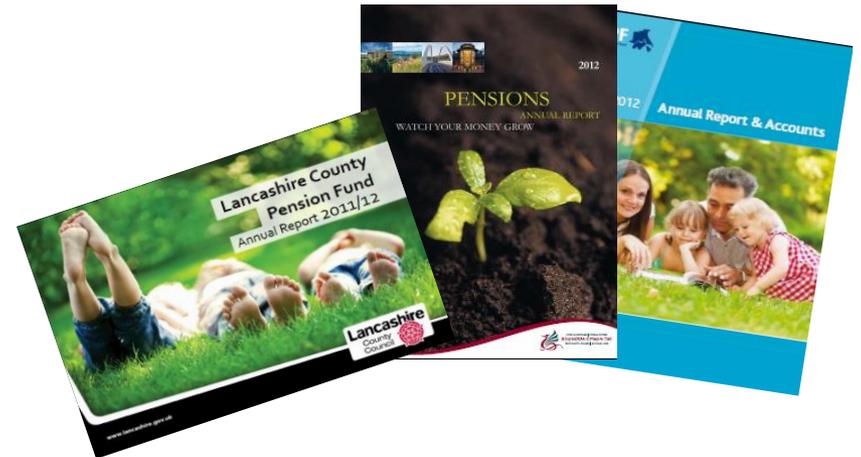
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Technical Update
CIPFA Pensions Network
February 2014



What I'm going to cover

- Statutory requirements
- Compliance
- Good practice



Compliance

What is required?

“An administering authority **must**.....prepare...the pension fund annual report which **contains**:.....
.....must **publish** on or before 1 December....
.....must **have regard** to guidance....” [Reg 34]

- must - not discretionary
- contains – have or hold within
- publish
 - not defined in LGPS Regs
 - A&A Regs: “.....must include publication on the body’s website....”
- have regard
 - need good reason for not following

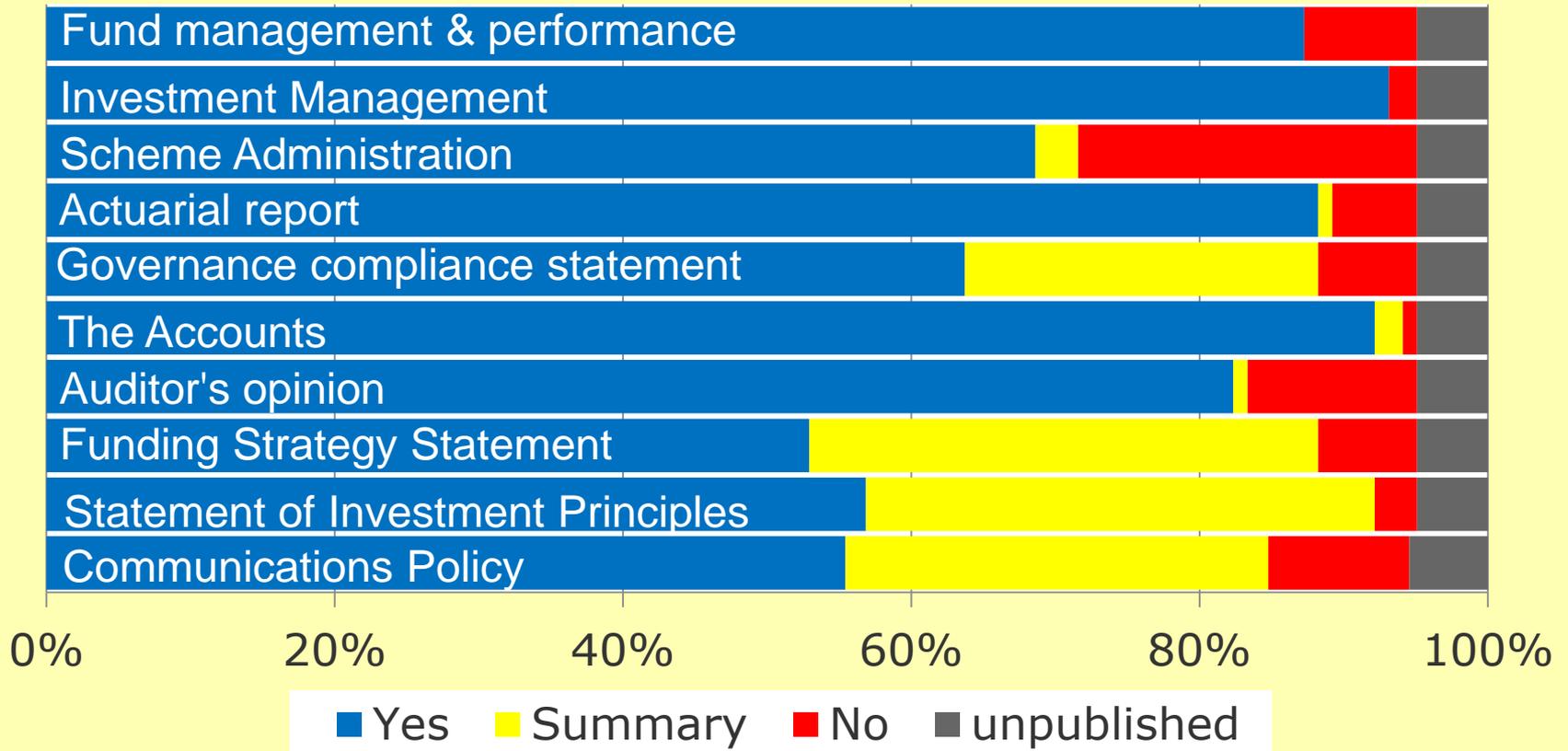


Must contain....

Management & financial performance	
Investment policy & performance	
Scheme Administration	
Outstanding borrowings	Scotland only
Actuarial report	
Governance compliance statement	
The Accounts including notes	
Pensions Administration Strategy performance	Discretionary
Funding Strategy Statement	
Statement of Investment Principles	
Communications Policy	England & Wales only

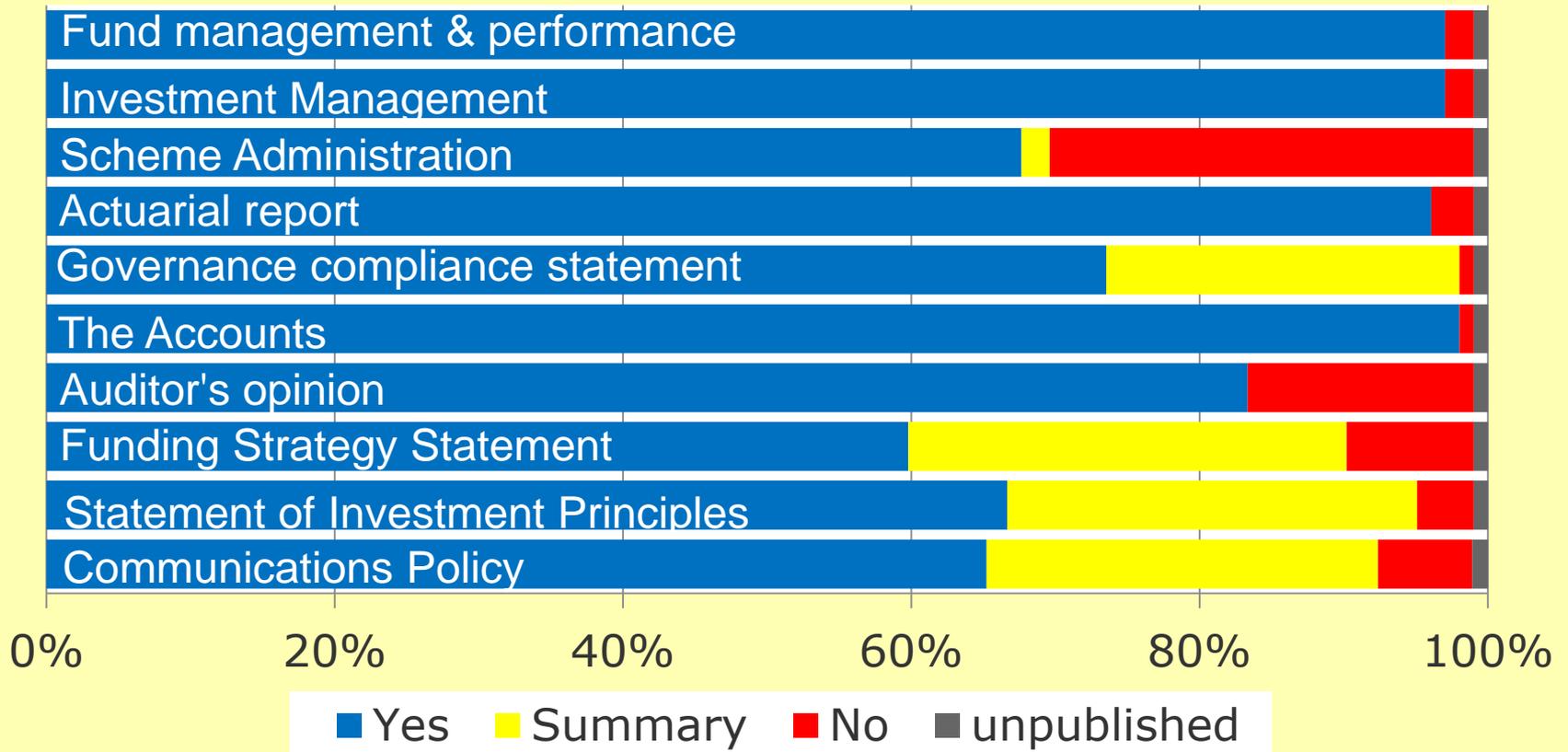
Last year not everything was included.....

Annual Report content 2011/12

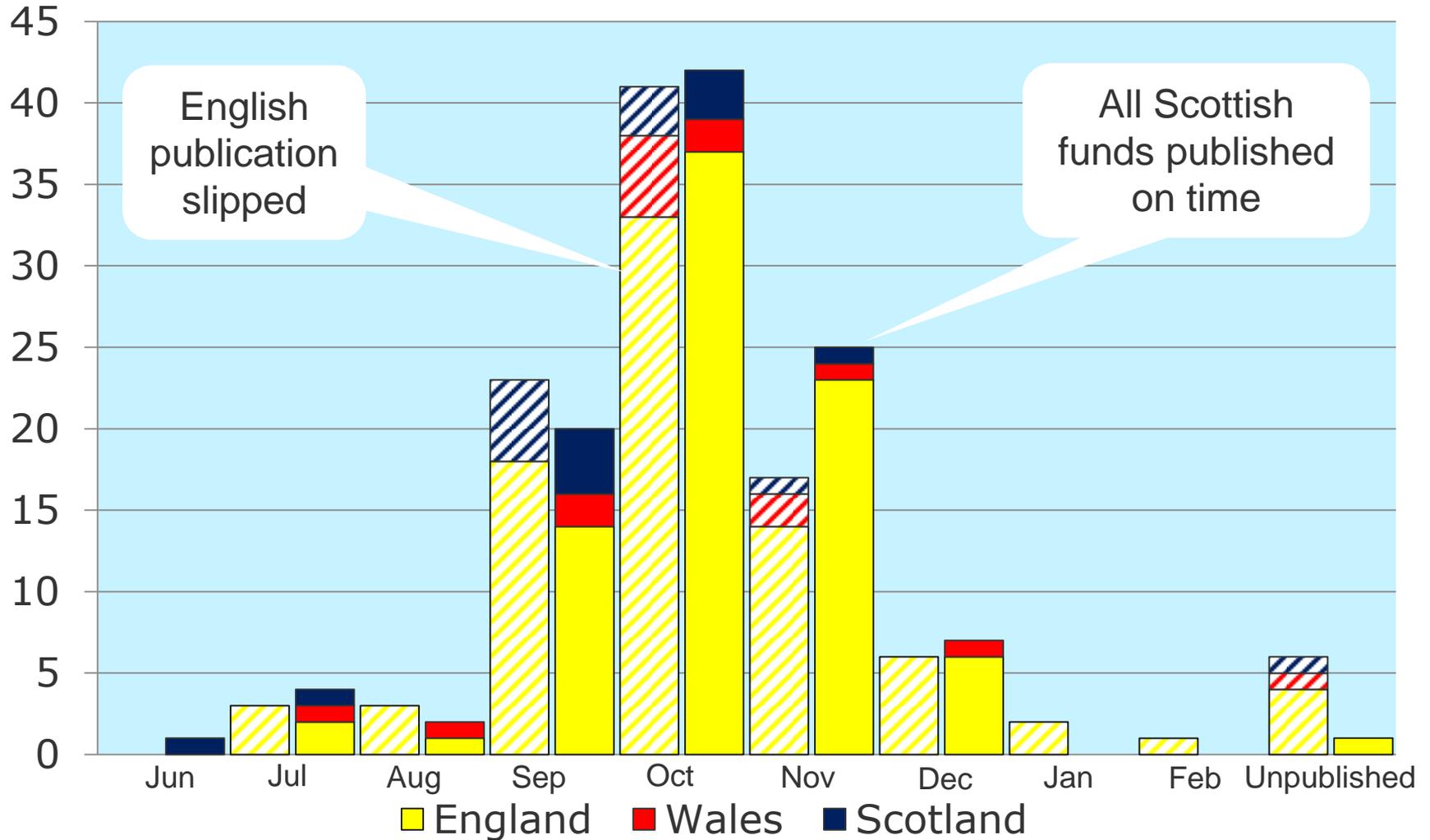


...., but there has been an improvement

Annual Report content 2012/13



92% (85% in 11/12) met the publication deadline



Publication

- Audit opinions given by 30 September
- 24 day delay between opinion and publication

Good practice:

- ✓ Project plan production
- ✓ Identify what you want, from whom and when
- ✓ Use CIPFA Guidance
- ✓ Populate with sections which are “givens”
 - ✓ Governance compliance statement
 - ✓ Funding Strategy Statement
 - ✓ Statement of Investment Principles
 - ✓ Communications Policy
- ✓ Arrange for Member approval



Accessibility – how easy to find

Quicker to find in 2012/13 – 2 pages to find annual report
BUT fewer accessed from Fund homepage – 28 (34 in 2011/12)

Good practice:

- ✓ List reports under **Reports and Documents** not **Investments**
- ✓ Websites with internal search engines more accessible
- ✓ Check the report is searchable!
- ✓ Standardise naming of documents
- ✓ List most recent documents at the top of webpages
- ✓ Remove superceded versions
- ✓ Include newsletters under the “News” page

Annual Report - content

- CIPFA guidance
 - Revisit
 - Compare how your report follows
- Some content is a given
 - Actuary's report
 - The Accounts
- Focus on sections where there is wide variety of practice
 - Management and Financial Performance Report
 - Investment Policy and Performance Report
 - Scheme Administration Report



Management and financial performance

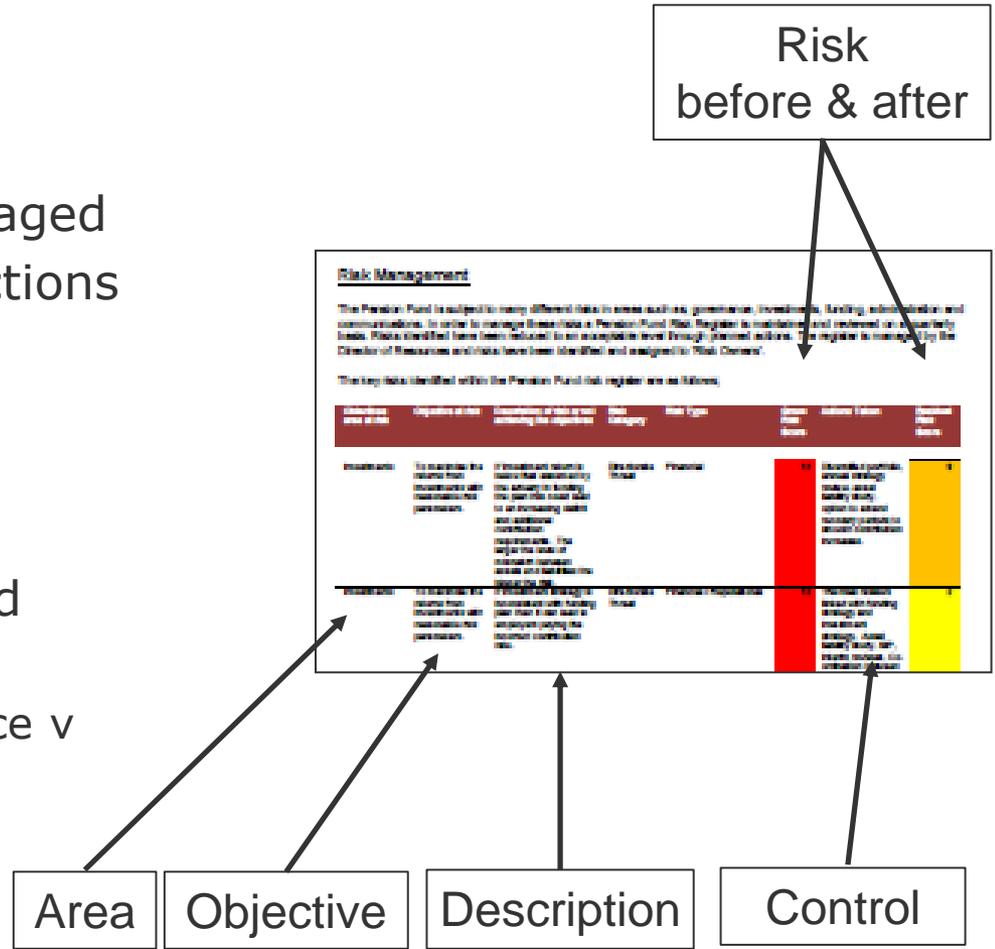
Area of annual reports with greatest variation in practice

Compliance	
Scheme management & advisors	97%
Risk management	44%
Financial performance	22%
Administrative management performance	65%

Risk Management

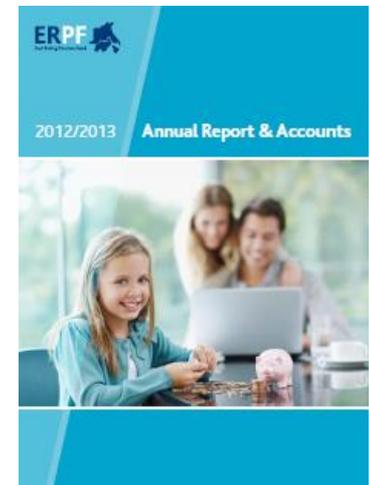
- Fit within fund governance
- How risks identified and managed
- SUMMARY of key risks and actions to mitigate
- Approach to third party risk
 - Late contributions
 - Outsourced operations
- How investment risk managed
 - Advice
 - Regular review of performance v strategy

Does section link to financial risk disclosures?



Financial performance

- Annual and 3 year forecast of major cashflows
- More detailed analysis of “controllable” expenditure
 - Administration expenses
 - Investment management expenses
- Variances explained
- Brief commentary on movements in assets and liabilities
- Amounts due from employers
 - Timeliness of receipt
 - Exercise of penalties



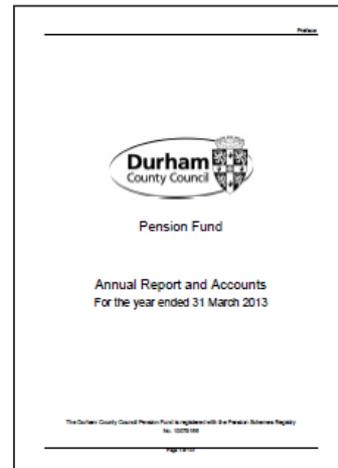
Administrative management performance

- Overlap with Scheme Administration Report
- Section focus is on performance of administration service
 - Key admin PIs - dealings with members, customer satisfaction
 - Unit costs & benchmarking data
 - Staffing KPIs
 - Service development
 - Staff training
- 5 yearly analysis of membership **WITH** commentary

Scheme Administration Report

Review of administrative arrangements for the fund

- Focus on who does what **NOT** performance
- IT arrangements, self-service
- Scheme administration
 - Internal or outsourced
 - Assurance arrangements
- Internal Dispute Resolution Procedure
 - Explanation
 - Analysis of activity



Investment policy and performance

Purpose - demonstrate how investment strategy performed in year
how thinks links to SIP

- Asset allocation
 - ✓ Actual v planned
 - ✓ Variances explained

- Investment performance
 - By asset class
 - By fund manager

- UK Stewardship Code
- Compliance with Myners Principles

- Investment administration and custody
 - Who does what
 - How managed

- Implementation of funding strategy
 - Managing contributions
 - Managing admitted bodies
 - Bonds

Compare against benchmarks

Tabular layout?

✓ Simple and clear messages

✓ Selective use of graphs

The Accounts

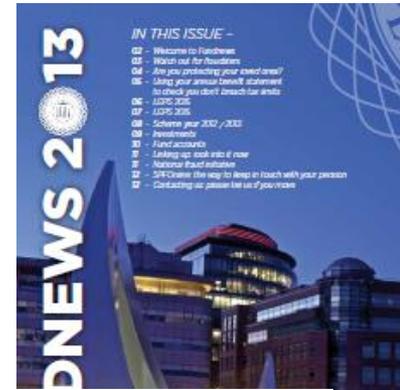
Ongoing issues:	
Accounting policies for estimation and critical judgments	➤ There should be some
Accounting for derivatives	➤ Over-valuing risk
Disclosure of related party transactions	➤ Identification ➤ Only disclose if not already disclosed elsewhere ➤ Quantify

Summary reporting

- Increasing number of funds publishing summary reports 15 (11 in 2011/12)

Good practice:

- ✓ Simple naming of document (eg summary report, newsletter)
- ✓ No more than 4 pages
- ✓ Access from same page as full annual report
- ✓ Short clear messages



Bedfordshire Pension Fund
Summary Report and Accounts 2012 / 2013

MARKETS

02083 11 www.bedford.gov.uk www.bedford.gov.uk

If you would like a copy of the report and accounts, the "Guide to Local Government Pension Scheme", the Fund's Statement of Investment Principles or any other information, please contact either of the above, or visit our website.

Pension Fund Account Summary		
2012/13	2011/12	
Employer contributions	19,912	20,265
Employee contributions	68,161	69,823
Transfer from reserves	8,863	7,217
Investment income	72,288	18,846
Other income	5,185	1,158
Total income	164,410	117,314
Pensions & other benefits	73,480	72,803
Finance charges paid	3,231	4,832
Investment management expenses	4,075	4,118
Other expenses	1,053	1,024
Total expenditure	81,839	82,837
Surplus for investment	82,571	34,477
Movement of funds	1,318,798	1,278,685
Opening net assets	23,798	24,817
Change in value of assets	128,688	12,464
Closing net assets	1,342,484	1,315,966

Contact

If you have any questions, please contact the following:

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In summary

- ✓ Statutory prescribed content
 - ✓ so must be included
 - ✓ draft skeleton Annual Report now
 - ✓ compare against CIPFA guidance
- ✓ Think about audience
 - ✓ Less is more
 - ✓ Simple and clear messages
- ✓ Timing
 - ✓ plan now for what you want, from whom and when
 - ✓ project plan throughout the year
- ✓ Publication
 - ✓ link on Fund homepage
 - ✓ include auditor's report OR state it is unaudited
 - ✓ consider summary report as well



Thank you

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