

Pension Fund Annual Reports How far do Funds comply?

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Technical Update
CIPFA Pensions Network
February/March 2013

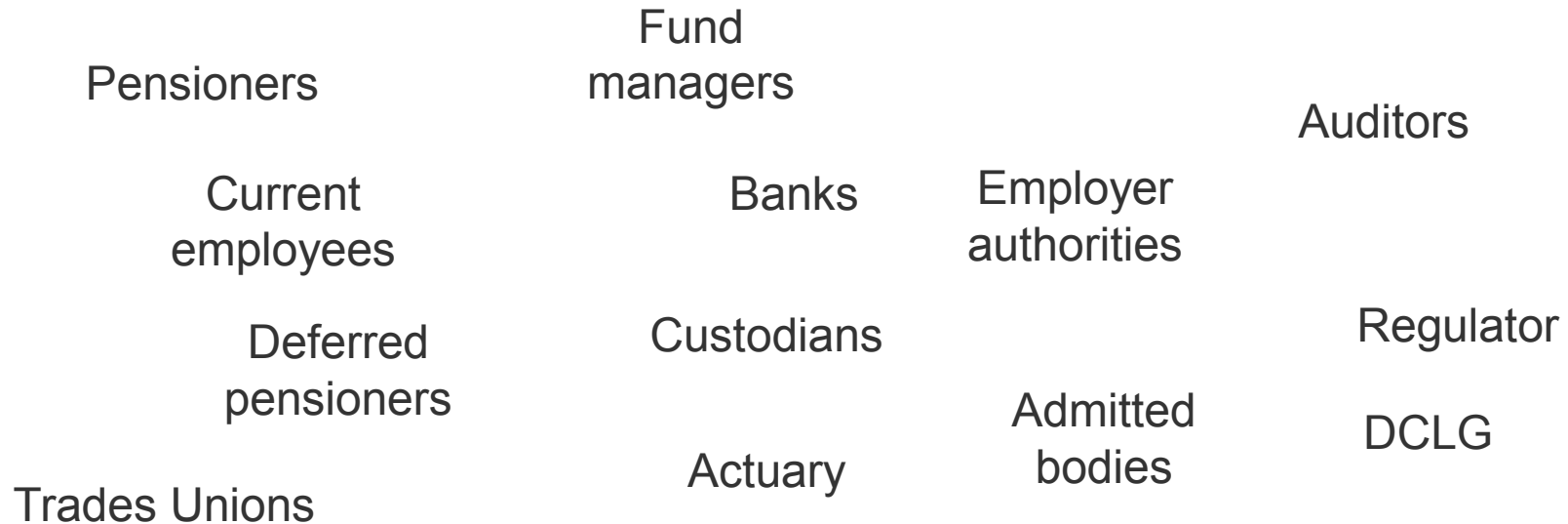


What I'm going to cover

- Statutory requirements
- Compliance
- Good practice



Who is the audience for the Annual Report?



Conclusion:

General purpose financial report with a wide range of users

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]

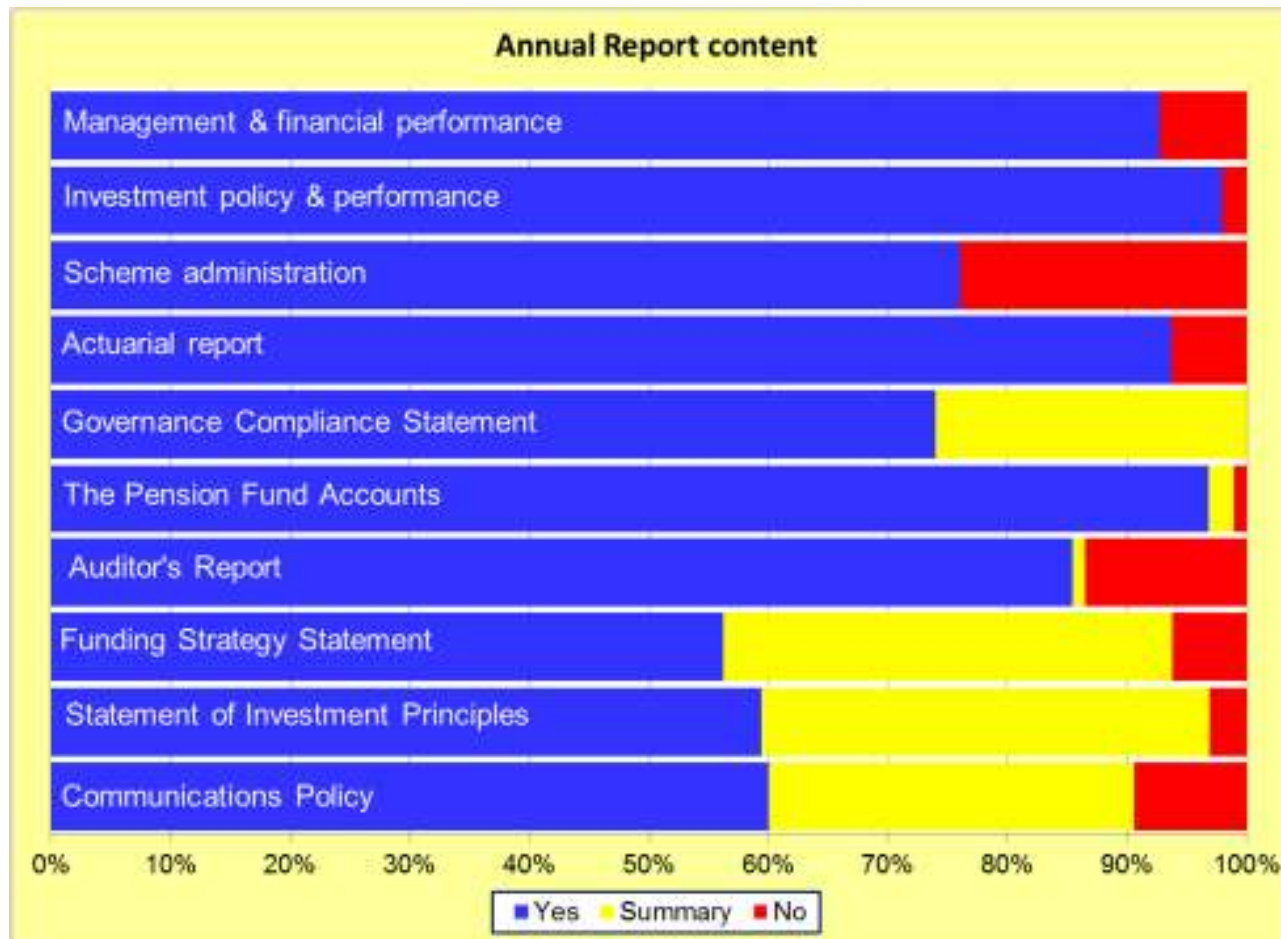
- must - not discretionary
- contains – have or hold within
- publish
 - not defined in LGPS Regs
 - A&A Regs: “.....must include publication on the body’s website....”
- have regard
 - need good reason for not following



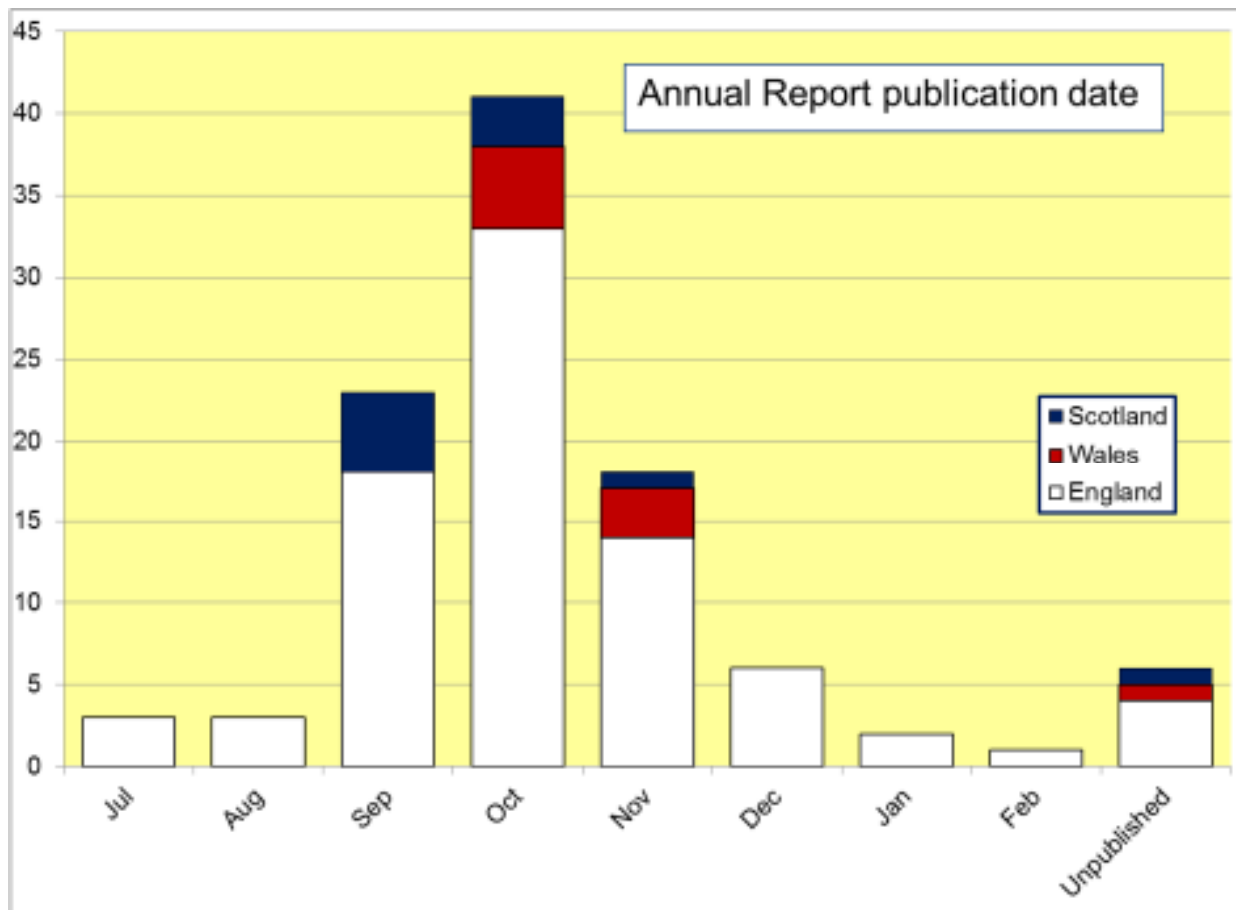
Must contain....

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

Not everything was included...



85% of funds met the publication deadline



Issues

- Length of reports
 - 28-206 pages
 - average 80 pages
but still contained everything

- Accessibility
 - 34 accessed from Fund homepage
 - Average of 4 pages to find Annual Report
 - 6 Funds produced summary reports

Summary reports

Where to go for more information

Concise commentary

Summary Report and Accounts 2011/12

Accounts and Investments
 Geoff Fowler
 Head of Pension Fund Management
 01234 200002
 geoff.fowler@bedford.gov.uk

Benefits and contributions
 Claire Bennett
 Pension Administration Manager
 01234 200011
 claire.bennett@bedford.gov.uk

Website
www.bedford.gov.uk

Summary financial information

Investment Management

Market value of fund assets at 31 March 2012

	£m	£m
Net assets	118	117,500
Invested assets	112	112,500
Uninvested assets	6	5,000
Liabilities	1	1,000
Total	118	115,500

Income by asset class 2011/12

	£m	%
Total	11.5	100
Equities	11.5	100
Bonds	0.0	0
Real estate	0.0	0
Other	0.0	0

Movement of Fund net assets (£M)

Year	Net Assets (£M)
2008	100
2009	105
2010	110
2011	115
2012	118

Use of clear graphics

Management and financial performance

- CIPFA guidance:
 - Scheme management & advisers
 - Risk management arrangements
 - Financial performance
 - Administrative management performance

- Some funds (14) included a comparison of financial outturn against forecast

The revised Budget for 2011/12 forecast a net cash surplus of €22m, which compared with the actual surplus for the year of €27.5m, resulting in an overall increase of above expectations €5.5m.

	Budget 2011/12 €m	Actual Income / Expenditure €m	Variance €m
Expenditure			
Benefits	77.8	82.2	4.4
Administration	1.5	1.5	0.0
Investment Expenses	5.3	4.5	-0.8
Total Expenditure	84.6	88.2	3.6
Income			
Employer and Employee contributions	104.1	105.2	1.1
Transfers	2.4	10.5	8.1
Other income	0.1	0.0	-0.1
Total Income	106.6	115.7	9.1
Net Surplus	22.0	27.5	5.5

The budget was set with the expectation that the larger employers in the Fund would seek to reduce staffing levels in response to the Government cutting funding to public sector organisations, and that the shrinking economy would also affect the private

Administrative management performance

- Overlap with Scheme Administration Report
- Most funds included membership data
- Some good reporting of KPIs covering a wide range of the operations
 - Dealings with members
 - Customer satisfaction
 - Staffing KPIs
 - Service development
 - Staff training
- Use of benchmarking data

Work Area	Target (working days)	No. of Cases 2011/2012	Within Target 2011/2012
Turn Round Correspondence	10	768	88%
Calculate Actual Retirement Benefits	5	329	100%
Calculate Estimated Retirement Benefits	10	494	89%
Pay Retiring Allowance	5	275	98%
Calculate Death Benefits	5	179	96%
Pay Death Grant	5	18	100%
Process Refunds	10	15	83%
Calculate Transfer In	15	87	91%
Calculate Transfer Out: Local Government	15	90	98%
Calculate Transfer Out: Non Local Government	10	37	95%
Pay Transfer Out	10	74	89%

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Cost of Service	€31.72	€30.82	€33.32	€28.23	€28.06
Cost per member	1.2187	1.2239	1.2356	1.2273	1.2458
Staff member ratio					

The costs are those purely attributable to the cost of administration (staff costs and overheads £475K, and Actuaries costs £52K). Investment costs are excluded from these figures.

Risk management

- Few Funds reported other than via the Investment Policy and Performance report
- Clear statement of top risks for the whole fund operation

RISK REGISTER

A detailed Risk Register has been established and maintained for the Strathclyde Pension Fund.

The Risk Register is monitored on an ongoing basis by officers and by the Investment Advisory Panel.

The top 5 risks, in terms of their residual ranking, are reported to the Strathclyde Pension Fund Committee each quarter for review.

The top risks as at 31 March 2012 were as follows.

Risk ID	Description	Probability	Impact	Ranking	Previous Ranking
SPF01	Fund's investments fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. Impact: increase in employer contribution rates.	4	4	16	12
SPF03	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities. Impact: increase in employer contribution rates.	4	4	16	12
SPF06	Pay and price inflation significantly more or less than anticipated. Impact: liquidity or loss of investments.	4	3	12	12
SPF015	Failure of investment market(s). Impact: liquidity or loss of investments.	4	3	12	10
SPF021	Pensions Administration System Failure. Impact: Staff downtime, loss of service delivery.	4	3	12	12

Probability and impact are each scored out of 5, so a Ranking of 12 after control actions represents a moderate risk in terms of the Council's overall risk matrix.

Other material which the authority considers appropriate

- Business Plan
- Knowledge and Skills Framework/Member training



In summary

- Statutory prescribed content
 - so must be included
- Timing
 - plan now for what you want from whom and when
 - draft skeleton Annual Report now
 - 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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