

Introducing Grant Thornton Pension Fund Governance Report and benchmarking data – Lancashire County Pension Fund

November 2013

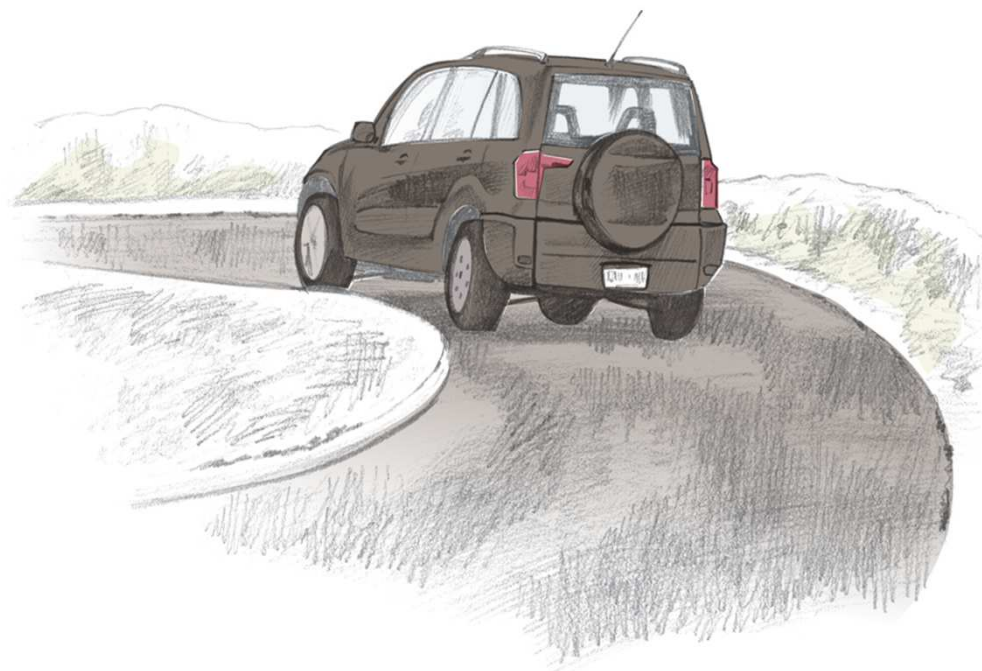
Agenda

Our pension fund experience

National report - themes

Applying your governance in context

Next steps



Our pension fund experience

Pension funds are one of the firm's chosen national sectors, supported by a national pensions panel and dedicated, specialist pension fund teams.

We are the external auditors for 30 of the 99 national local government pension funds

Pension Scheme Accountant of the Year UK Pensions Award Winner 2012

Provide a range of additional services including covenant assessments, advisory support around governance and risk management and investment strategies.

We are also auditors and accountants for over 400 private sector pension funds in the UK

Strong working relationship with the Pensions Regulator

National LGPS Governance Report - themes

The report is based on a detailed survey of our auditors of 30 Local Government Pension Schemes, covering almost 30% of funds nationally. The survey findings have been followed by more detailed discussions with individual auditors and council officers to understand and identify good practices as well as a desk based review of local government pension scheme websites.

Our findings are supplemented by responses to a higher level survey sent to senior officers managing Local Government Pension Schemes nationally. This survey included questions on your key challenges, skills and capacity and communications with your membership.

We have seen many examples across the UK of well managed LGPS Funds. They have been pro-active in reviewing and improving the way in which they work to strengthen governance arrangements and to achieve a more sustainable position for their Fund. However, this is not reflected across all locally administered funds and there is scope for improvement.

With the introduction of LGPS 2014 and the accompanying changes in governance requirements, now is an opportune time for funds to assess their current governance arrangements to ensure they are fit for purpose going forwards.

The areas we have highlighted for pension funds to consider are:

- the effectiveness and scope of current governance structures
- ensuring funds have access to appropriate skills and expertise
- the extent to which investment strategies are kept under review at a strategic level
- the effectiveness of risk management arrangements
- the extent to which administration costs are reviewed
- assurance provided over internal controls.

Annual Report review – themes

Compared to your peers.....

You are doing well in the following areas:

Maintaining a focus on the investment strategy linked to an up-to-date view on pension liabilities and a good understanding of the key factors affecting pension liabilities.

Effective focused whole fund performance reporting

Investment in officer skills recognising the more complex environment within which the pension fund is operating.

Range and coverage of internal audit work and reporting through to the Pension Committee.

Effective use of sub-committees and panels to deal with detailed issues and facilitate more flexible and responsive decision making.

You are among the pack in :

Reviewing and reducing administrative costs through a range of activities including re-tendering services, re-negotiating contracts and removing unnecessary services/reports.

Having a training programme for pension committee members and relevant officers.

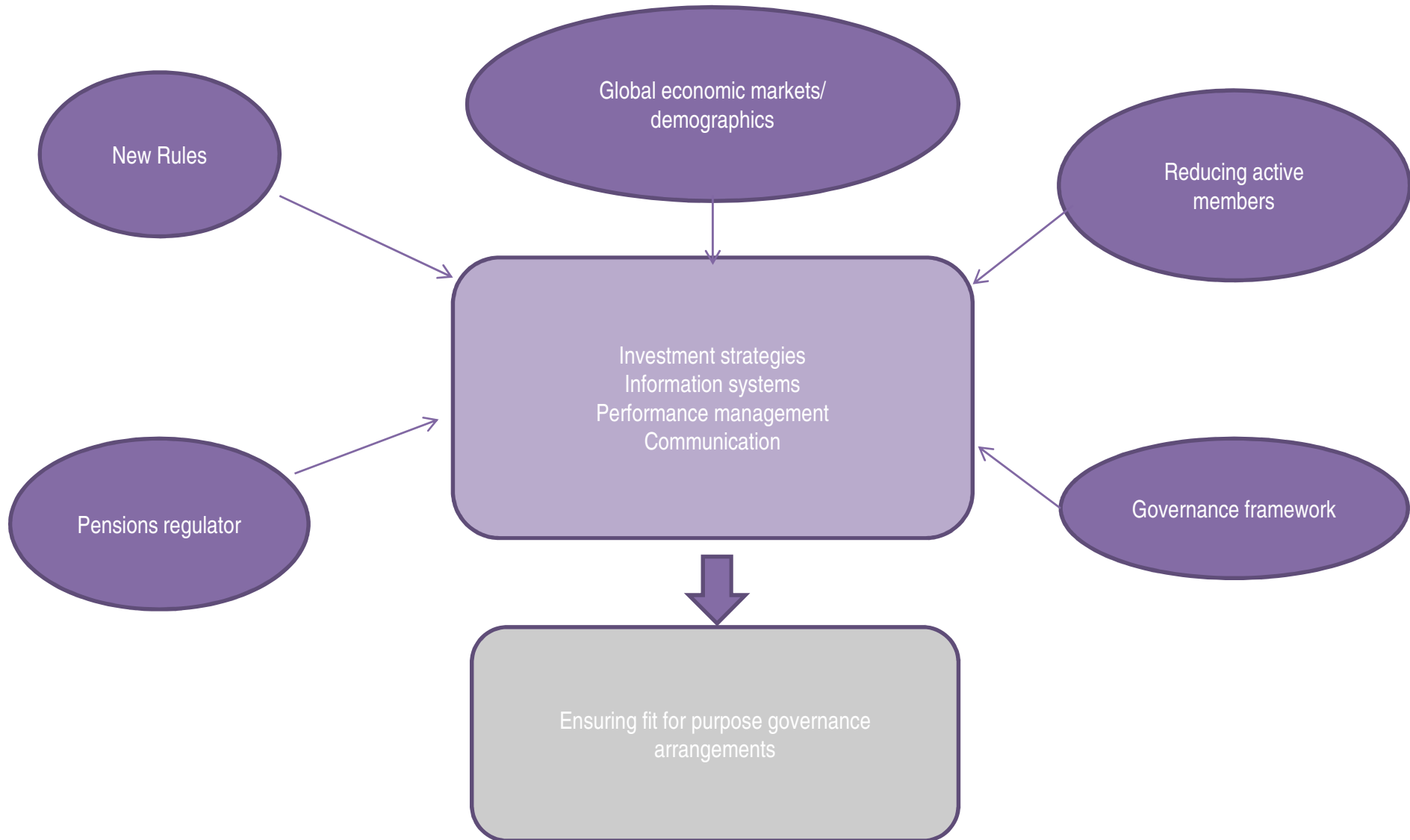
Managing and reporting on risks across the whole activities of the Pension Fund.

You are trailing in the following areas:

The fund is relatively late in completing an audit of skills and knowledge of pension fund members and developing actions to bridge any gaps. This was linked to the timing of LG elections and the resultant change in committee membership.

Partial compliance is reported against the governance compliance statement. Additionally the annual governance statement of the administering authority makes no specific reference to the pension fund.

Applying your governance in context



Where do we go from here?

- Current and emerging issues?
- How can we help?
- Questions?





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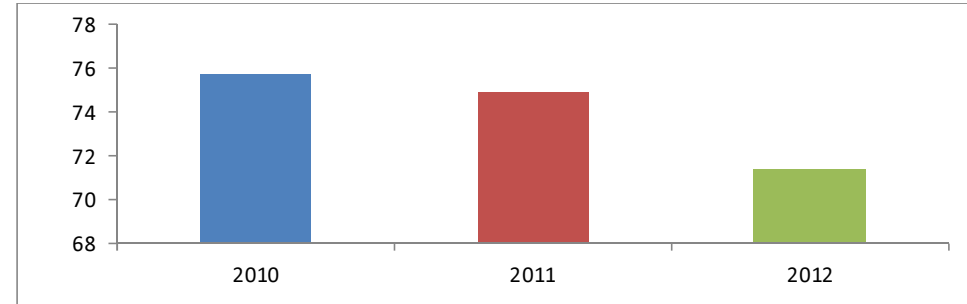
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Appendix

Your benchmark data

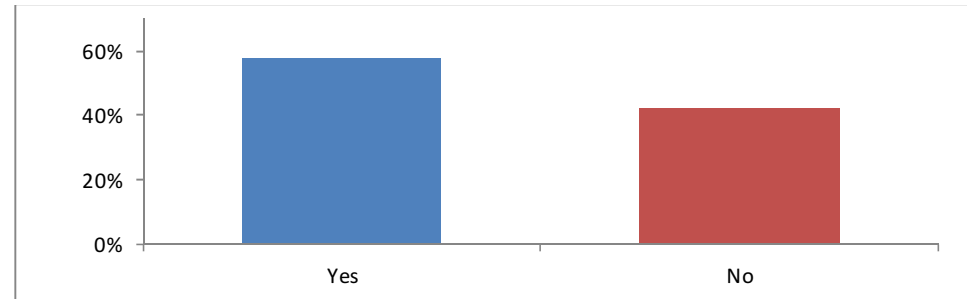
1. What was the reported percentage funding position of your fund as at 31 March?

	%	You
2010	75.69	80
2011	74.88	81
2012	71.38	68



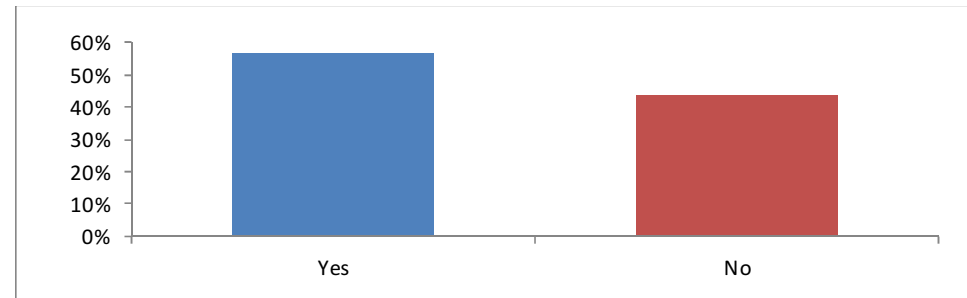
2. In 2011/12 were your funds' total pension contributions sufficient to meet the total pensions payable in the year?

	%	You
Yes	58.1%	
No	41.9%	✓



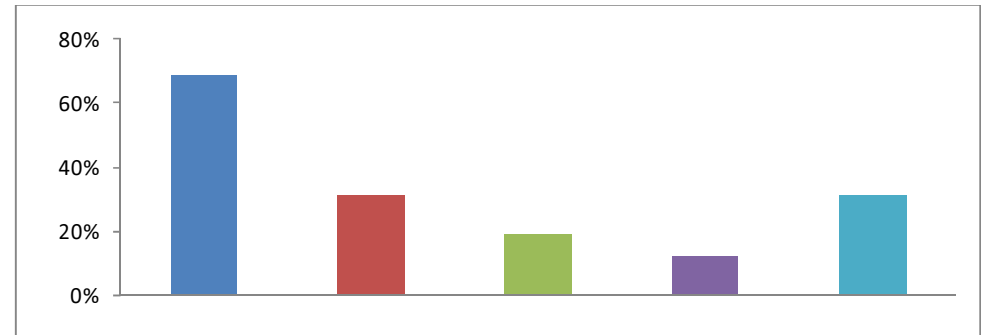
3. Has your fund made any significant changes to its investment strategy in recent years?

	%	You
Yes	56.7%	✓
No	43.3%	



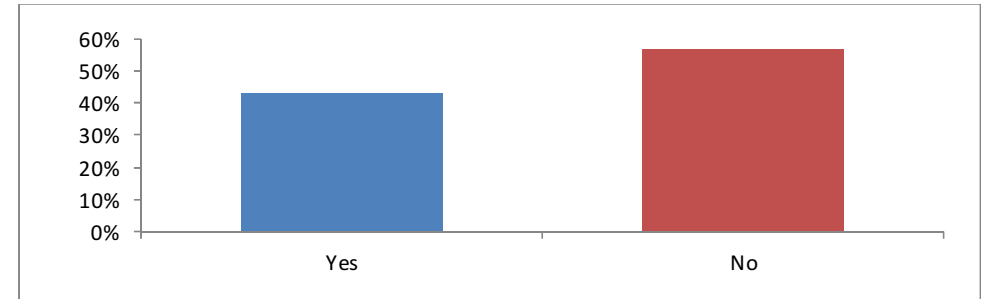
4. What were the key aims of the changes?

	%	You
To reduce volatility	68.8%	✓
To increase investment income	31.3%	✓
To reduce credit risk	18.8%	
To increase liquidity	12.5%	
Other	31.3%	✓



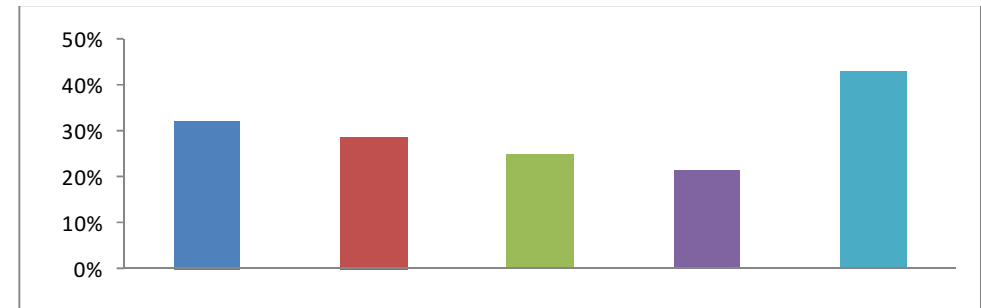
5. Is your fund looking to actively manage the value of its pensions liabilities?

	%	You
Yes	43.3%	✓
No	56.7%	



6. Has your fund taken any action to reduce the administration costs and investment management expenses of the fund?

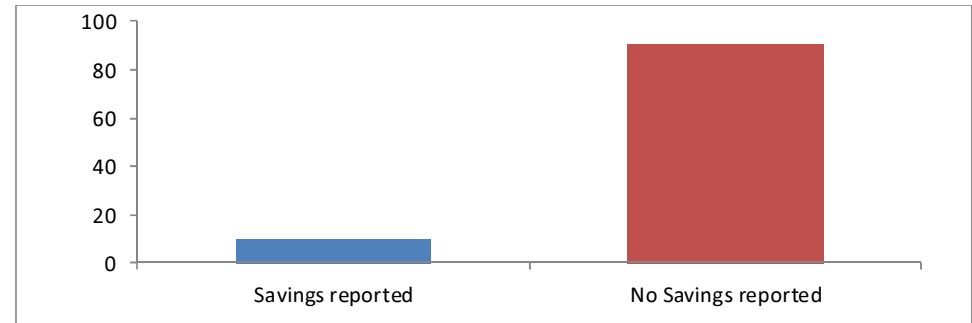
	%	You
Competitive tendering exercises for services	32.1%	✓
Efficiency savings on in-house administrative costs	28.6%	✓
Benchmarking of admin/investment expenses	25.0%	
Other	21.4%	✓
None	42.9%	



7. If your fund has reported on any savings achieved in relation to such actions, what is the level of reported savings?

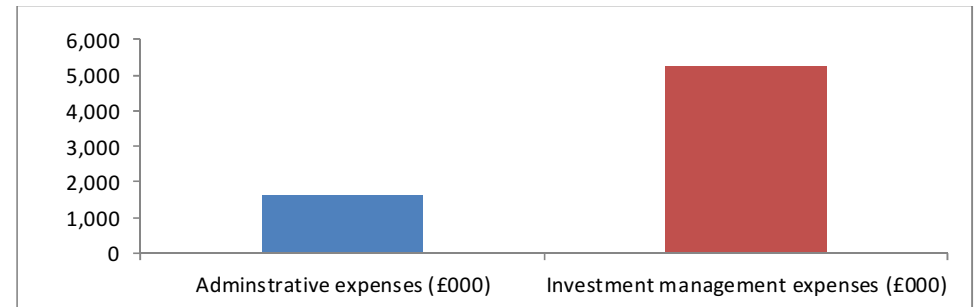
	%	You
Savings reported	9.68	✓
No Savings reported	90.32	

You responded: 'Savings reported: £751,000.'



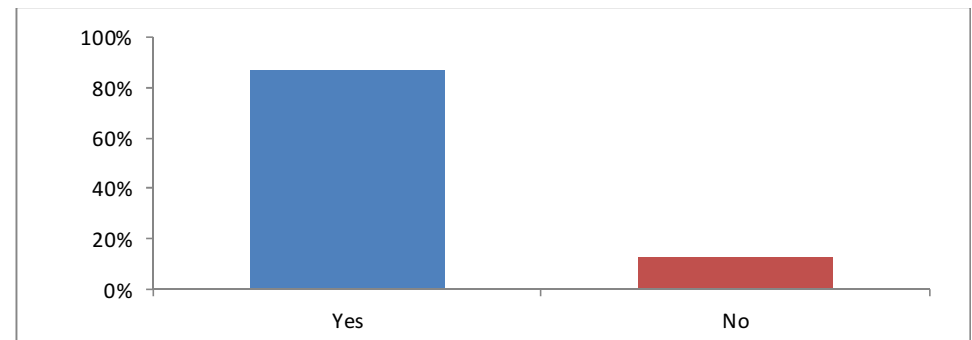
8. Please provide below the following costs as reported in your fund's accounts as at 31/3/2012

	Average	You
Administrative expenses (£000)	1,633	3,800
Investment management expenses (£000)	5,240	8,300




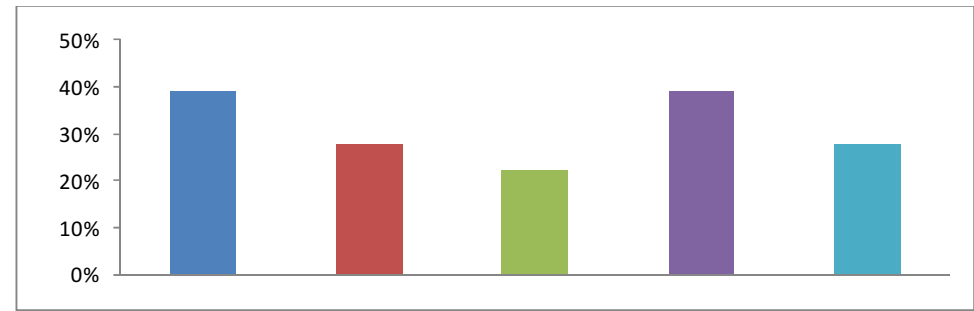
9. CIPFA produced a Code of Practice covering knowledge and skills for practitioners and members involved in the management or oversight of pensions funds in September 2011. Did your fund adopt the Code?

	%	You
Yes	87.5%	✓
No	12.5%	



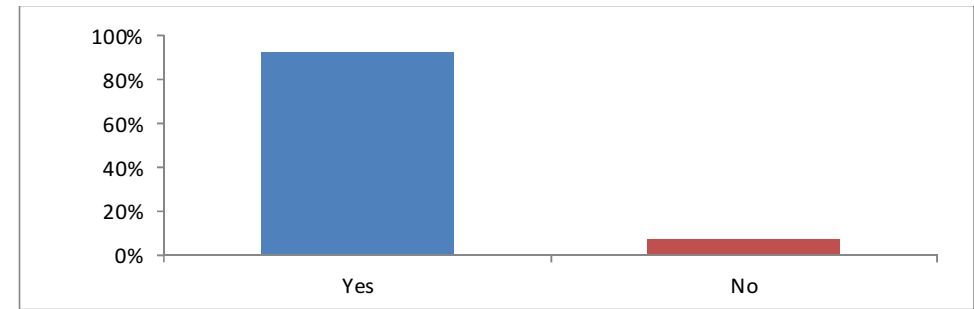
10. Has your fund taken any action in respect of the Code?

	%	You
Completed a self assessment against the framework	38.9%	
Developed a plan to address any gaps identified	27.8%	
Implemented/implementing such a plan	22.2%	
Other	38.9%	
None	27.8%	



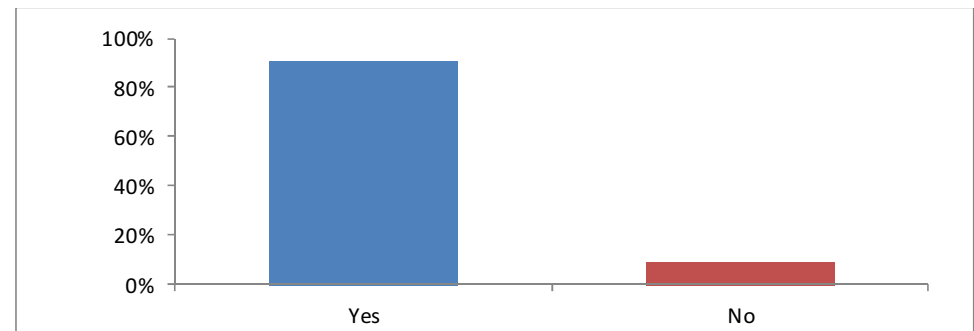
11. Does your fund have a training programme for members of its pension fund committee?

	%	You
Yes	92.6%	
No	7.4%	



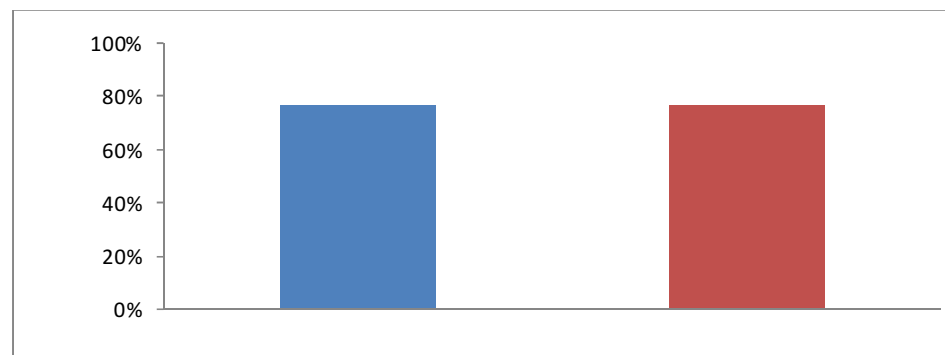
12. Does your fund have a programme of continuing professional development in respect of pension fund issues for officers involved in the management of the fund?

	%	You
Yes	90.9%	
No	9.1%	



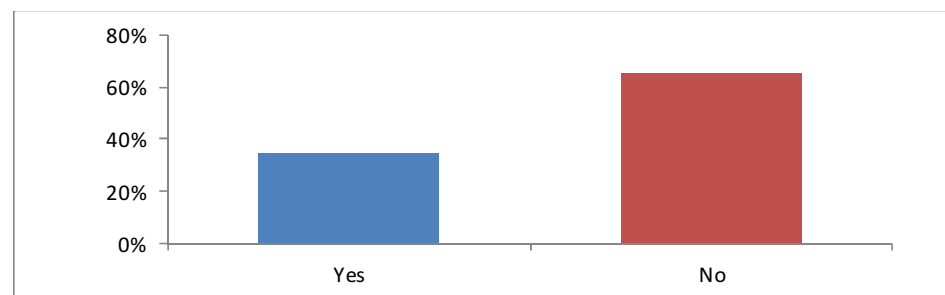
13. If your fund has made significant changes to its investment strategy or in respect of liability management, has it:

	%	You
Considered the impact on the skills needed by relevant officers and members?	76.9%	✓
Considered the need to bring in additional capacity through the use of advisors and consultants?	76.9%	✓



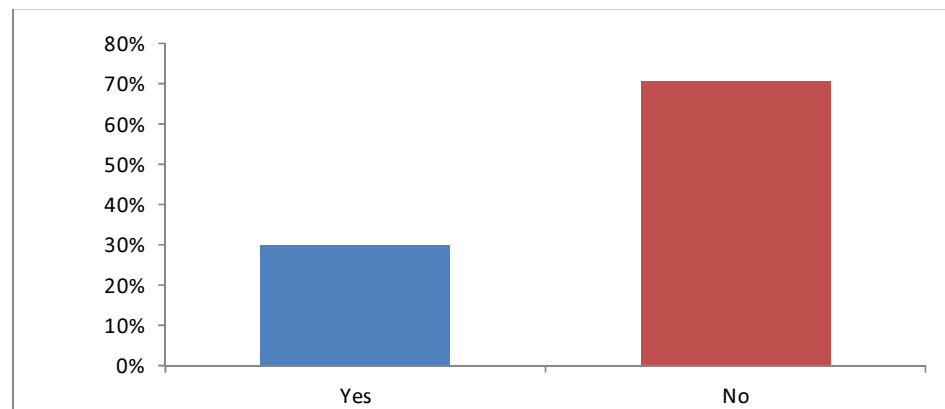
14. Has your fund reported any aspect of partial or non-compliance with the expected governance requirements within its governance compliance statement?

	%	You
Yes	34.5%	✓
No	65.5%	



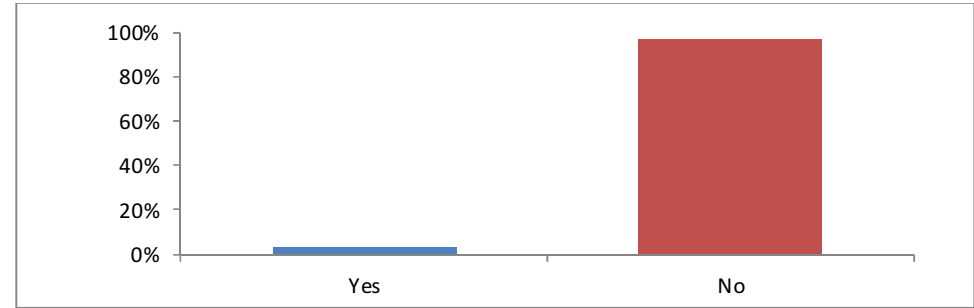
15. The annual governance statement (AGS) of administering authorities sets out how the responsible officers obtain assurance around the overall governance of the organisation and whether there are any specific issues therein which need to be addressed. Does the AGS for your administering authority make any specific references to the pension fund?

	%	You
Yes	29.6%	
No	70.4%	✓



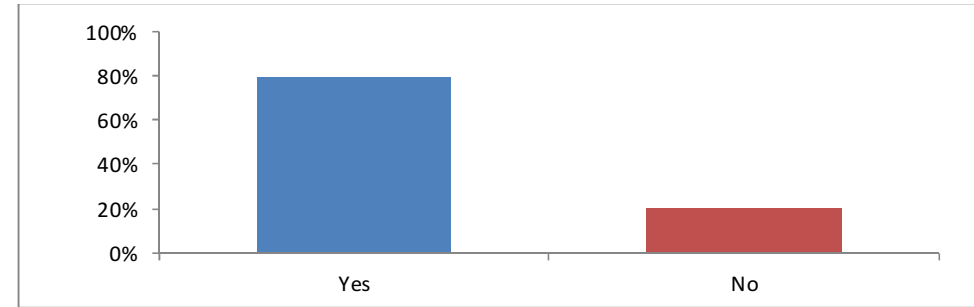
16. Does your fund produce a separate AGS for the pension fund?

	%	You
Yes	3.4%	
No	96.6%	✓



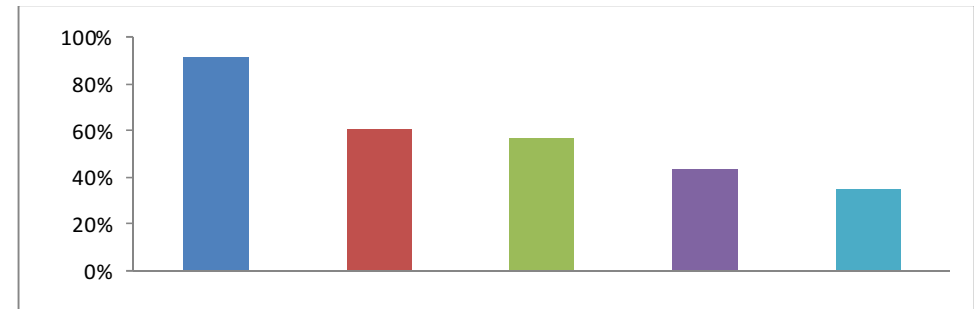
17. Does your fund consider and report on the management of the key risks affecting the pension fund?

	%	You
Yes	80%	✓
No	20%	



18. Please tick all aspects listed below which are included in those considerations.

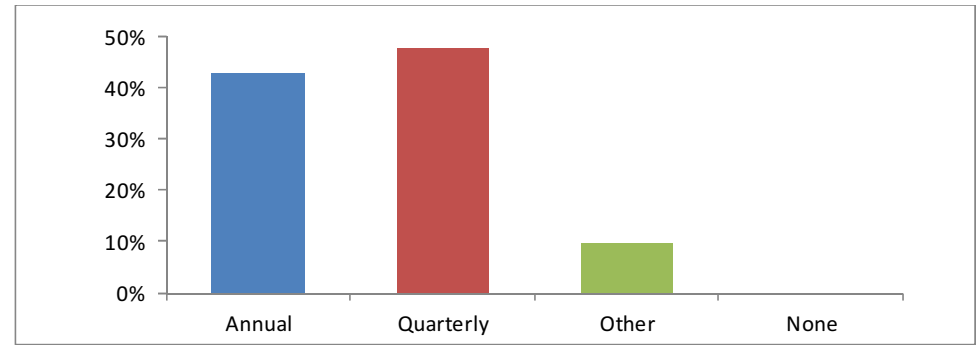
	%	You
Investment risks	91.3%	✓
Liability risks	60.9%	✓
Pensions administration risks	56.5%	✓
Processes/controls risks	43.5%	✓
Other	34.8%	✓



You responded: 'Cash flow, credit risk, liquidity risks.'

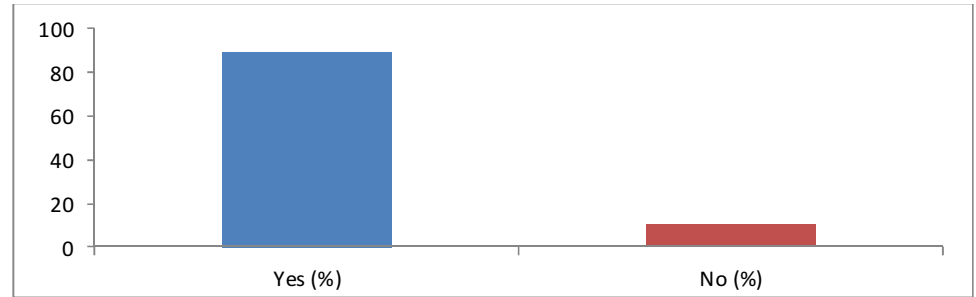
19. Is there regular reporting to members?

	%	You
Annual	42.9%	
Quarterly	47.6%	✓
Other	9.5%	
None	0%	

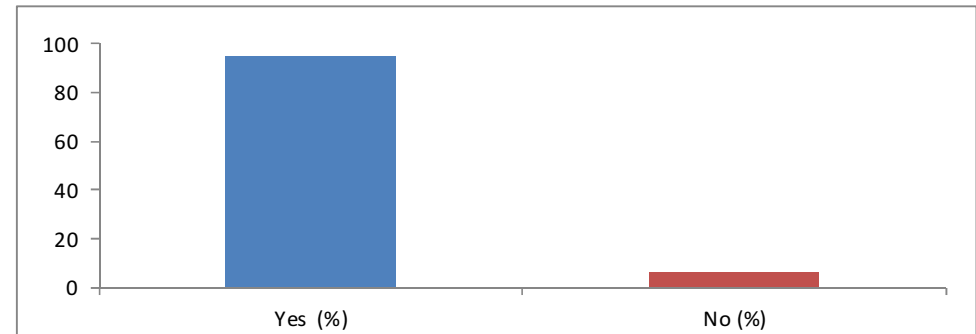


20. Does such reporting (if carried out) clearly identify;

	Yes (%)	No (%)
The nature and scale of the risks?	89.47	10.53
You:	✓	

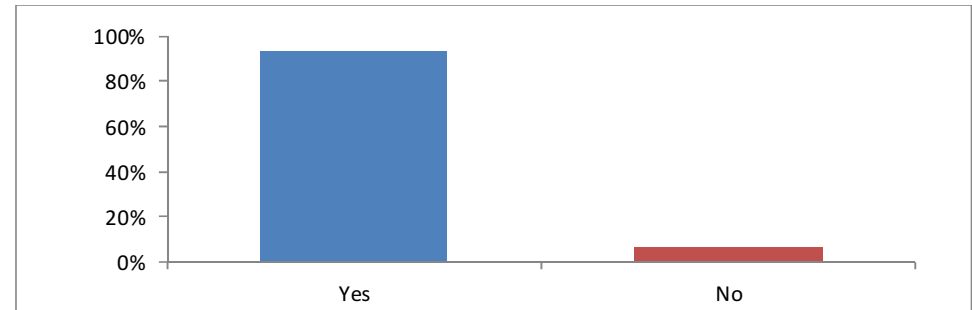


	Yes (%)	No (%)
The action being taken to manage/control the risks?	94.44	5.56
You:	✓	



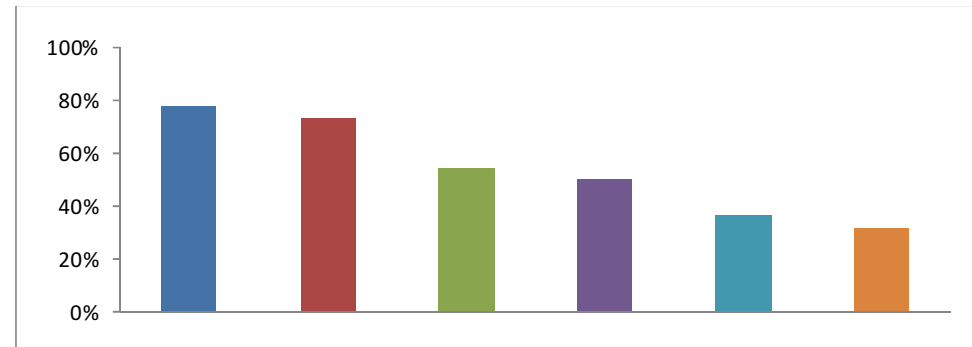
21. Does internal audit's programme of work include work on the pension fund?

	%	You
Yes	93.3%	✓
No	6.7%	



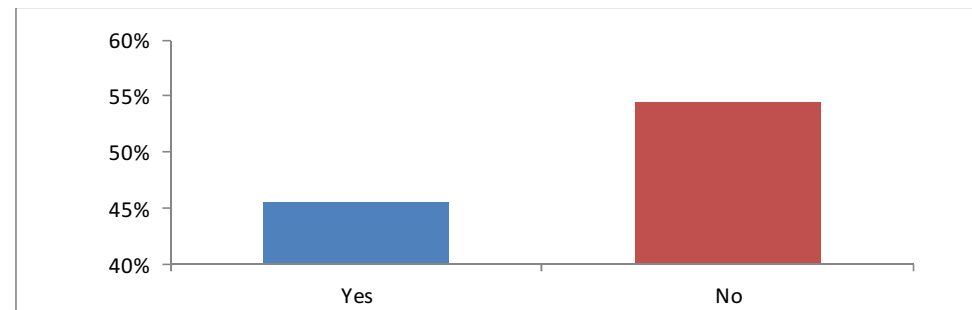
22. Please tick all the relevant boxes below which are relevant to their work over the last three years:

	%	You
Pensions payments	77.3%	✓
Contributions	72.7%	X
Investments	54.5%	✓
Expenses	50.0%	✓
Tendering of contracts	36.4%	✓
Other	31.8%	X

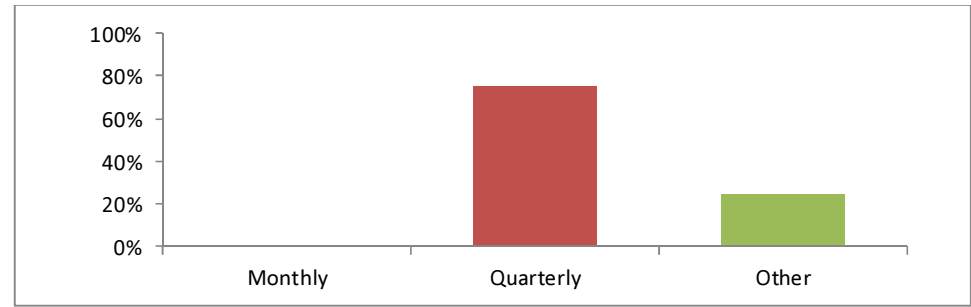
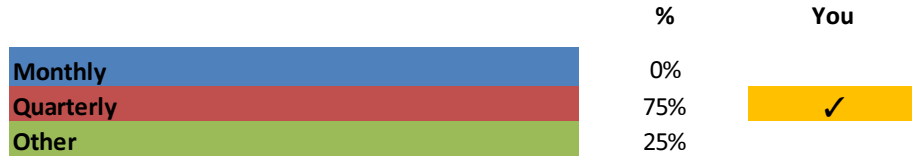


23. Where internal audit completes specific work on the pension fund, do they report their plan and the outcome of their work to the pension fund committee?

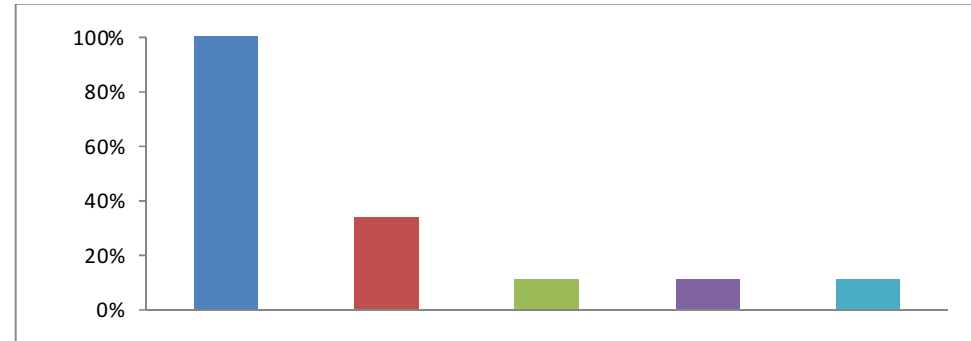
	%	You
Yes	45.5%	✓
No	54.5%	



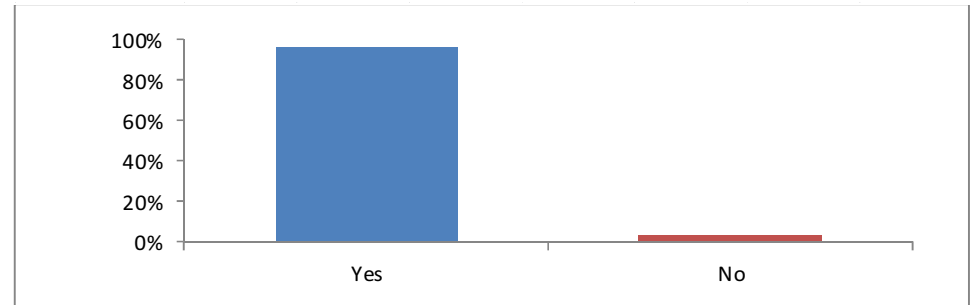
24. How often does the pension fund committee meet?



25. If your pensions committee operates with sub-committees and/or panels, please list below with a brief description of their function if not explicit from their title.

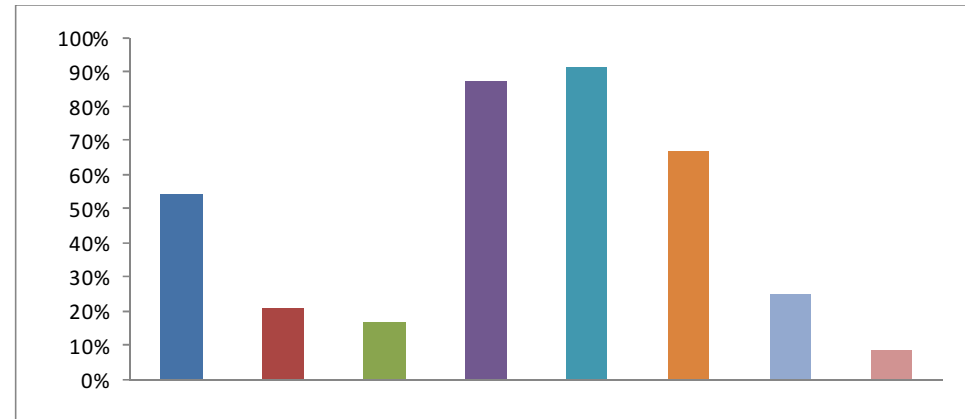


26. Does your pension committee receive a performance report at each meeting?



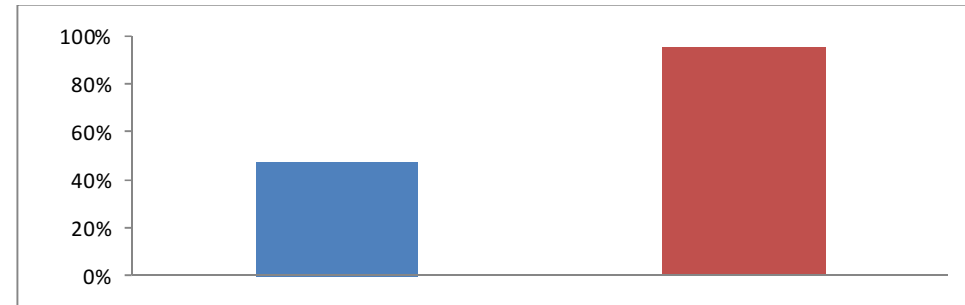
27. Please tick all relevant boxes below regarding coverage:

	%	You
Funding level	54.2%	✓
Cash flow	20.8%	✓
Liabilities	16.7%	✓
Investment performance	87.5%	✓
Fund manager performance	91.7%	✓
Investment allocation v strategy	66.7%	✓
Risk management	25.0%	✓
Other	8.3%	X



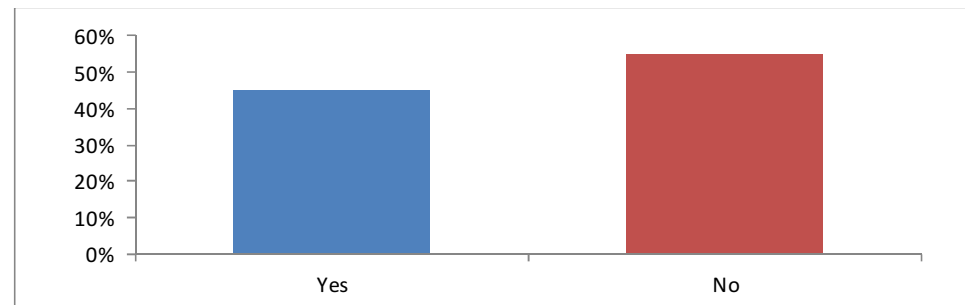
28. Does the committee also receive regular reports covering:

	%	You
Pensions administration performance against targets?	47.6%	✓
Key investment decisions?	95.2%	✓



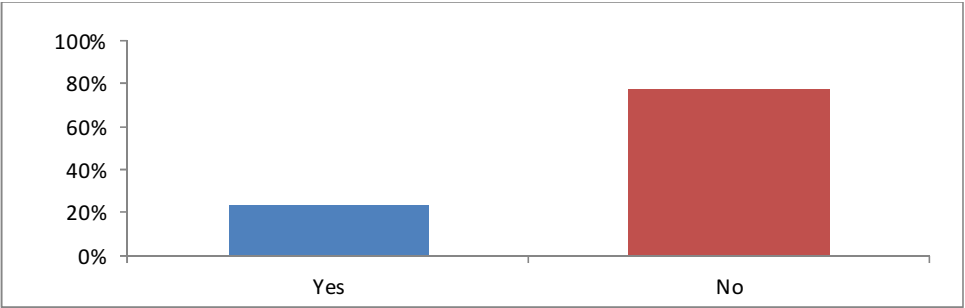
29. Has the committee reviewed the way in which it works in recent years and if so what changes have been made as a result?

	%	You
Yes	45%	✓
No	55%	



30. Does the committee produce an annual report of its work during the year?

	%	You
Yes	22.7%	
No	77.3%	✓



31. Has the committee considered the usefulness of the information it receives to support their work and made any changes? If so please provide brief details below.

	%	You
Yes	52.9%	✓
No	47.1%	

