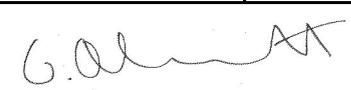




Report to:	Pension Committee	Date:	26 September 2018
Report title:	Pension Fund Annual Report		
Report from:	Gerald Almeroth, Strategic Director – Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee:	Councillor Jill Whitehead		
Author(s)/Contact Number(s):	Lyndsey Gamble, Head of Investment, Risk and Commercial Finance, 0208 770 5358		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • Making Informed Choices 		
Open/Exempt:	Open		
Signed:		Date:	11 September 2018

1. Summary

- 1.1. The attached Pension Fund Annual Report has been produced to keep scheme members and other interested stakeholders informed about the administration and performance of the London Borough of Sutton Pension Fund, and to comply with regulation 34 of the Local Government Pension Scheme (Administration) Regulations SI2008 No 239. The annual report includes the pension fund governance compliance statement at Appendix III which has been revised and updated.

2. Recommendations

The Pension Committee is recommended to:

- 2.1. Approve the audited Pension Fund Annual Report for 2017/18, including the Governance Compliance Statement at Appendix III of the report (Appendix A).
- 2.2. Note the 2017/18 Pension Fund Annual Report Risk Register at Appendix B.
- 2.3. Agree to delegate authority to the Strategic Director - Resources to make final amendments to the annual report as required before publication.

3. Background

- 3.1. The requirement to produce a pension fund annual report was initially introduced under Regulation 34 of the LGPS (Administration) Regulations 2008. This sets out the broad content of the report and publication arrangements for the document.



- 3.2. The Annual Report is a major component of the LGPS Fund's communication with scheme members, various other stakeholders and the wider public. Consequently, although not specifically required under the Regulations, good practice suggests that the Annual Report be formally reviewed and approved by the Pension Committee.
- 3.3. Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) requires the Administering Authority (Sutton Council) to maintain a statement assessing the pension fund governance arrangements and to keep the statement under review consulting such persons as it considers appropriate and to make such revisions to the statement, following a material change in the governance arrangements. The statement, and any revised statement, must be published.
- 3.4. Part 1 of the Pension Fund Governance Compliance Statement relates to the arrangements for pension fund administration and includes the following information:
- (i) The terms, structure and operational procedures of the delegation of functions to the Pension Committee;
 - (ii) The frequency of Pension Committee meetings; and
 - (iii) Information on the Scheme employers and members represented on the Pension Committee and whether they have voting rights.

With reference to (i) above, officers are exploring whether and how other participating employers, admitted bodies and scheme members are represented on the Pension Committee to enable the authority to be compliant with Guidance 2.2 of the Governance Compliance Statement.

- 3.5. As required by Regulation 55 (1) (c), the governance arrangements have been assessed (as detailed in the statement included within the Annual Report) against guidance from the Secretary of State, Department for Communities and Local Government (*Local Government Pension Scheme Governance Compliance Statement Statutory Guidance, 2008*). The assessment shows that there are two areas where best practice are not met. These areas relate to the inclusion of scheme representatives on the Pension Fund.
- 3.6. Part 2 of the Pension Fund Governance Compliance Statement relates to the arrangements for the Pension Board, a stand-alone body tasked with assisting the Administering Authority with securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, taking account of guidance from the Pensions Regulator; and assisting to ensure the effective and efficient governance and administration of the Scheme.
- 3.7. As required by Regulation 55 (1) (d), the statement provides details of the terms, structure and operational procedures relating to the Board. In addition, these arrangements have been assessed (as detailed in the statement) against the guidance from the Local Government Pension Scheme Advisory Board established by the Secretary of State, Department for Communities and Local Government (*Guidance on the creation and operation of the Local Pension Boards in England and Wales, 2015*). This is because the existing statutory guidance referred to in paragraph 4.2 does not cover Pension Boards. The assessment shows that the part 2 arrangements comply with the Advisory Board's guidance.



- 3.8. Work has continued to improve the structure and content of the Annual Report including the governance compliance statement following a review by officers and recommendations made as part of the Governance Review carried out by John Raisin.
- 3.9. A structure for a business plan has been developed for the pension fund and the specific plan for 2018/19 was reviewed and agreed by Committee in March 2018. This included budgets for fund management expenses for 2018/19 through to 2020/21. In the 2018/19 and future Annual Reports, performance against these budgets will be reported.
- 3.10. The Annual Report includes the pension fund accounts for the financial year ended 31 March 2018. These accounts have been audited by our external statutory auditors. The Fund received unqualified financial audit certificate from the auditors. The report recommends that Strategic Director -Resources make any final amendments as required to the report before final publication on the Council's website.
- 3.11. The key highlights for 2017-18 were:
- (i) Total membership of the Sutton Scheme grew by 976 (7.4%) from 13,260 to 14,236. The change was partly due to a rise in the number of contributing members and partly due to the way posts are recorded under the Career Average Revalued Earnings (CARE) scheme.
 - (ii) Total assets of the Fund increased to £641.6m (from £618.2m in 2016-17), a change of 3.8%. The assets were invested predominantly in pooled investment vehicles; public equity (60%), bond (15%), absolute return (14%), property (8%), and infrastructure (3%) in terms of actual allocation.
 - (iii) Total liabilities were estimated at £1,066m (£1,073m as at 31/3/17), indicating a roll-forward funding level of 91.9% (80% at 31 March 2016 actuarial valuation).
 - (iv) Total Fund return was 2.9% matching the benchmark (market indices which are used as the yardstick against which the performance of the Fund is compared).
 - (v) The Fund maintained a positive cash-flow position. Total income (£34.3m) exceeded total pension benefit payments (£32.1m) by £2.2m excluding investment income.

4. Impacts and Implications

Financial

- 4.1. There are no direct financial implications arising from the recommendations in this report.

Legal

- 4.2. There are no legal implications arising from this report.

5. Appendices and Background Documents

Appendix Letter	Title
A	2017/18 Pension Fund Annual Report
B	2017/18 Pension Fund Annual Report Risk Register (referred to in the pension fund annual report as appendix VII)

Background Documents

Department for Communities and Local Government: Local Government Pension Scheme Governance Compliance Statements Statutory Guidance (2008)

Local Government Pension Scheme Advisory Board: Guidance on the creation and operation of the Local Pension Boards in England and Wales (2015)

Audit Trail

Version:	Final	Date: 11 September 2018
Consultation with other officers		
Officer	Comments Sought	Comments checked by
Finance	Yes	Lyndsey Gamble
Legal	N/A	N/A
Equality Impact Assessment required?	N/A	N/A