

Essex Pension Fund Board	EPB/34/11
date: 14 December 2011	

Review of Fund Objectives

Report by the Pensions Services Manager and the Head of Investments

Enquiries to Jody Evans on 01245 431700 and Martin Quinn on 01245 431412

1. Purpose of the Report

- 1.1 To present proposed Essex Pension Fund objectives which include some small refinements from the current Fund objectives.

2. Recommendations

- 2.1 That the revised Essex Pension Fund objectives be approved.

3. Background

- 3.1 At the meeting on 31 March 2010, the Board agreed a set of objectives for the Essex Pension Fund.
- 3.2 At that meeting the Board agreed that these objectives would serve as an ongoing mission statement for the Fund. The objectives provide:
- focus in developing each year's business plan;
 - a benchmark for considering performance (through the Scorecard); and
 - better understanding of the key risks to the Fund.
- 3.3 The funding objectives were then agreed in conjunction with the Funding Strategy Statement on 9 March 2011.

4. Review of Objectives

- 4.1 Though the objectives should stand the test of time, it is good practice to consider whether they still remain appropriate at reasonable intervals. At the EPFB Strategy Away Day on 21 November 2011 the current objectives were revisited. Based on the comments received, the existing objectives have been reviewed and a proposed new set of objectives is included in the Annex to this paper. The existing objectives are also shown and amendments underlined so that members can appreciate the changes proposed. The Board is asked to approve the revised objectives.

5. Link to Essex Pension Fund Objectives

- 5.1 Having clear objectives that are reviewed at reasonable intervals will assist Board members and officers in achieving the following Fund Governance Objectives:
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
 - Understand and monitor risk and compliance
 - Continually measure and monitor success against our objectives

6. Risk Implications

- 6.1 Without transparent objectives formally agreed by the Board, there is a key risk the Fund is managed without appropriate direction and focus, which could result in greater costs, greater likelihood of errors and a number of other issues.
- 6.2 Further, the objectives are used as an integral part of the Fund's risk management. Objectives that are not all encompassing or not regularly reviewed may result in key risks not being identified.

7. Communication Implications

- 7.1 There are no further communications requirements.

8. Finance and Resources Implications

- 8.1 There are no additional resource requirements relating to the updating of these objectives. However it should be noted that the improvements in governance since these objectives were originally put in place (i.e. improved risk management and the introduction of the corporate scorecard) have resulted in additional work for officers, which is continuing to be monitored. Further improvements could have a future resource implication, particularly against the background of changes to the scheme required by the review of the LGPS and the Hutton Report.

9. Background Papers

- 9.1 EPFB previous reports on Fund Objectives:
- EPB/03/10 – Business Plans
 - EPB/08/11 - Funding Strategy Statement and March 2010 Actuarial Valuation Results

Annex

Area	Existing Objectives	Proposed Objectives
Governance	<ul style="list-style-type: none"> • Provide a high quality 'gold standard' service whilst maintaining value for money • Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise • Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times • Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based • Understand and monitor risk and compliance • Continually measure and monitor success against our objectives • Pursue socially responsible business practices 	<ul style="list-style-type: none"> • Provide a high quality service whilst maintaining value for money • Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise • Evolve and look for new opportunities that may be beneficial for our stakeholders, <u>particularly the Fund's beneficiaries</u>, ensuring efficiency at all times • Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based • Understand and monitor risk and compliance • Continually measure and monitor success against our objectives
Funding	<ul style="list-style-type: none"> • Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the Funding Strategy Statement • To determine employer contribution requirements recognising the desirability of maintaining as nearly constant employer contributions as possible • To have consistency between the investment strategy and funding strategy • To manage employers' liabilities effectively by the adoption of employer specific funding objectives • Maintain liquidity in order to meet projected net cash-flow outgoings 	<ul style="list-style-type: none"> • Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the Funding Strategy Statement • <u>To recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible.</u> • To have consistency between the investment strategy and funding strategy • To manage employers' liabilities effectively, <u>having due consideration of each employer's strength of covenant</u>, by the adoption of employer specific funding objectives • Maintain liquidity in order to meet projected net cash-flow outgoings

	<ul style="list-style-type: none"> • Minimise unrecoverable debt on termination of employer participation 	<ul style="list-style-type: none"> • Minimise unrecoverable debt on termination of employer participation
Investments	<ul style="list-style-type: none"> • To maximise the returns from investments within reasonable risk parameters • To ensure the Fund is properly managed • Ensure all significant Fund investment issues are communicated properly to all interested parties 	<ul style="list-style-type: none"> • To maximise the returns from investments within reasonable risk parameters • To ensure the Fund is properly managed • Ensure investment issues are communicated appropriately to the Fund's stakeholders
Administration	<ul style="list-style-type: none"> • Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount • Data is protected to ensure security and authorised use only 	<ul style="list-style-type: none"> • Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount • Data is protected to ensure security and authorised use only
Communications	<ul style="list-style-type: none"> • Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally • Ensure our communications are simple, relevant and impactful • Deliver information in a way that suits all types of stakeholder • Aim for full appreciation of the pension scheme benefits by all scheme members and prospective scheme member 	<ul style="list-style-type: none"> • Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally • Ensure our communications are simple, relevant and <u>have impact</u> • Deliver information in a way that suits all types of stakeholder • Aim for full appreciation of the pension scheme benefits <u>and changes to the scheme</u> by all scheme members, prospective scheme members <u>and employers</u>