

<b>Essex Pension Fund Board</b>	<b>EPB/03/12</b>
<b>Date: 7 March 2012</b>	

### **Update on Pension Fund Activity**

Joint Report by the Pensions Services Manager and Group Manager Investments

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#### **1. Purpose of the Report**

1.1 To provide the Board with an update on the following:

- 2011/12 business plan
- Risk management
- Scorecard – (Measurement against objectives)

#### **2. Recommendations**

2.1 That the report be noted.

### **3. Background**

3.1 Over the last year, the Board has agreed a business plan for 2011/12 along with approving proposals for the monitoring of risks and reporting of scorecard measures. As a consequence:

- An update on the 2011/12 business plan is attached at Annex A.
- Risks with a residual score of 6 or above are detailed at Annex B(i)
- Risks with a residual score which has moved below 6 since the last meeting are detailed at Annex B(ii).
- The full scorecard is attached at Annex C.

### **4. Related matters subject to separate agenda items**

4.1 Matters subject to separate agenda items include:

- Change in membership
- An update on reforms to the Local Government Pension Scheme.
- Update on emerging employer issues
- Communications Strategy
- Administration Strategy
- AVC arrangements
- Record of Member Attendance
- ISC Quarterly Report

### **5. Key developments**

#### **Business Plan**

5.1 Reasonable progress is being made with the business plan (Annex A). Of the 27 actions 15 are complete with a further 7 the subject of separate reports on this agenda. Work on the remaining 5 is ongoing. At its December meeting the Board agreed to defer one item (no. 6 Annual Review of Pension Fund Board) to 2012/13.

#### **Risk Register**

5.2 The draft SIP, agreed for consultation by the ISC at its meeting on 22 February includes a revised expectation for the return on the Funds assets of 6.1%. This impacts on two key risks I1 and F2, each of which increase to residual risk of 9 (from 6).

5.3 The risk implications of introducing in April 2012, reforms to the Local Government Pension Scheme were discussed at the December meeting and the Board agreed to one new risk being added to the register and noted increased scores for a further two risks. In the light of consensus that has emerged around delaying LGPS reform until 2014 a reduction can now be made to the score for risk A1 – delivery of a high quality service . The new timeframe would appear to reduce the likelihood of relying on manual

calculation of benefits, and as a result the residual risk drops from 6 to 3. Details are at Annex B (ii).

### **Scorecard**

- 5.4 The scorecard continues to be developed with work underway on the suggestions made at the November away day. Measures within the scorecard to note are:

1.1.4. 400 employees were invited to participate in a survey by Pensions Services in November 2011. Of the 43 responses, 1 negative anonymous response was received. The remainder were 22 were "very happy" with the services over the previous 12 months, and 20 were "happy". Change of score from grey to green.

1.1.5. 100 employers were invited to participate in a survey conducted in November 2011. Of the 32 responses, none were negative with 65.6% stating they were extremely satisfied and 34.4% moderately satisfied. Change of score from grey to green.

2.3 – Communication of investment issues. These measures deal with the dispatch of ISC agendas and publication of ISC minutes over the last 12 months when the targets identified in the scorecard were not in place. It will take the first full year of working to the new targets before these measures change from red, albeit the scores shown do represent progress from the last quarter.

3.2.2 – A new set of measures are currently being worked on to address the objective *"To recognise in drawing up its Funding Strategy the desirability of employer contributions that are as stable as possible"*

3.3.1 – Consistency between Investment and Funding strategies – change from green to amber following report to draft SIP agreed for consultation by ISC on 22 February 2012. Change of score from green to amber.

3.4 – £1.5m or 0.04% of the Fund's value has been confirmed as deficit unrecoverable as a consequence of the liquidation of the East of England Tourist Board. Change of score on 3.4.3 from amber to green.

4.4.5 – A representative of the Smaller Employers was elected at the Fund Forum on 20 January 2012 – change from red to green.

## **6. Link to Essex Pension Fund Objectives**

- 6.1 Monitoring Pension Fund activity via the business plan, risks and scorecard assists the Fund in achieving all of its objectives, and in particular:
- Provide a high quality 'gold standard' service whilst maintaining value for money
  - Understand and monitor risk and compliance
  - Continually measure and monitor success against our objectives

**7. Risk Implications**

7.1 Key risks are identified at Annex B.

**8. Communication Implications**

8.1 Other than ongoing reporting to the Board, there are no communications implications.

**9. Finance and Resources Implications**

9.1 The business plan for 2011/12 is challenging and labour intensive, particularly around some of the improvements to governance areas. The remainder of 2011/12 will require significant input by officers and advisers to bring some of the actions to conclusion.

**10. Background Papers**

10.1 None.