

Essex Pension Fund Strategy Board	EPB/02/18
Date: 7 March 2018	

Update on Pension Fund Activity

Joint Report by the Director for Essex Pension Fund & Head of Essex Pension Fund
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1. Purpose of the Report

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

- 2017/18 business plan
- three year business plan
- risk management
- scorecard

1.2 To provide the Board with proposals for the detailed actions:

- 2018/19 business plan

2. Recommendations

2.1 That the Board notes:

- progress against the 2017/18 business plan
- the 3 year business plan
- the current risks with a residual score of six or above
- the latest scorecard measures

2.2 That the board agrees:

- the detailed actions proposed for the 2018/19 business plan (*contained within Annex a(i)*)
- the approach to filling the current vacancy on the Pension Advisory Board.

3. Background

3.1 The following documents accompany this report:

- an update on the 2017/18 business plan at Annex A(i);
- the 3 year business plan at Annex A(ii);
- risks with a residual score of six or above are detailed at Annex B;
- 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:

- Report from Investment Steering Committee
- Report from the PAB
- Governance Policy and Compliance Statement Review
- Review of objectives and plan of risks review
- Review of Administration Strategy
- Funding Strategy

5. Business Plan 2017/18 & 2018/19

5.1 Progress with the business plan shown at Annex A (i). Of the 21 actions for 2017/18:

- 11 (52%) have been completed;
- 1 (5%) are in progress and will complete in 2017/18; and
- 9 (43%) are in progress and will continue in 2018/19.

5.2 A large number of actions appear in both 2017/18 and 2018/19. The key differences between the actions included in each year's plan are shown below.

Number	Action	Comment
3	Board member's web based knowledge centre	Specific coaching on <i>infoBOARD</i> will be incorporated within action 2, the wider training plan
16	Auto enrolment	The initial transitional phase concluded in 2017. This is now a part of Business as Usual (BAU)
20	Implementation of General Data Protection Requirements (GDPR)	NEW ACTION FOR 18/19 Review systems and data handling to ensure compliance with GDPR

6. 3 year Business Plan

- 6.1 The 3 year Business Plan, providing a high level summary of key work streams is shown at Annex A (ii).

7. Risk Register

- 7.1 There are currently 83 risks in the Fund's risk register of which 14 have a residual score of six or more (amber) and are shown at Annex B.
- 7.2 Two amber risks have changed (lower) scores since the last meeting.

I.16 MiFID II - *Decrease from residual score of 8 to 6.*

The implementation of MiFID II (January 2018) leads to the Fund being categorised by some / all of its service providers as a 'retail client' – without mitigating action (the process of opting up to Elective Professional status) the Fund would have a reduced range of asset classes in which to invest.

The Fund has now completed and received confirmation of the relevant MiFID II "opt ups" to Elective Professional status for all asset mandates. Further opt ups will be required in due course for any new mandates and the Fund's participation within future sub funds of the ACCESS pool.

A.17 Surviving cohabitees *Decrease from residual score of 9 to 6.*

The 2008 Regulations allowed, for the first time, cohabiting partners to receive an entitlement (death benefit) provided a nomination was in place. In early 2017 the Supreme Court has ruled in favour of Ms Brewster in her case against the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC). This success effectively asserted that no prior nomination was required in these circumstances – but only in Northern Ireland in which the LGPS operates under separate (albeit it very similar) Regulations.

Initially, this precedent seems likely to prompt revised LGPS Regulations throughout the UK, however none were forthcoming.

In parallel circumstances case of Ms. Brewster in Northern Ireland, a case was brought against Essex CC, in its capacity as administering authority for the Essex Pension Fund, by Ms. Elmes. This was the first such case under English law.

In January 2018, in a ruling establishing precedent across the LGPS in England & Wales, and following a common submission from both claimant & defence counsels, Mr Justice Walker ordered that the requirements for a nomination under Regulation 24 & 25 of the LGPS Regulations 2007 were incompatible with article 1 of the European Convention of Human Rights and must therefore be dis-applied.

Whilst final guidance from the MHCLG is still awaited, preparations are underway for a case by case review of surviving co-habiting partners' pensions to be

conducted (this will cover the 6 year period 2008-2014 when a nomination was required under the Regulations).

8. Scorecard

8.1 The scorecard is shown at Annex C.

8.2 Measure **1.4.4** highlights the recent resignation from the Pension Advisory Board of Mrs Jenny Hunt, who had been a member since the PAB's inception in 2015. Mrs Hunt filled one of three scheme member representatives on the PAB whose place were filled following an application and interview selection process at the prior to the PAB's establishment. As a consequence of her resignation a further appointment process will be necessary and officers will outline proposals at the meeting.

9. Link to Essex Pension Fund Objectives

9.1 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 service whilst maintaining value for money
- Understand and monitor risk and compliance
- Continually measure and monitor success against our objectives

10. Risk Implications

10.1 Key risks are identified at Annex B

11. Communication Implications

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

12. Finance and Resources Implications

12.1 The business plan for 2018/19 is challenging and will require significant input by officers and advisers to bring some of the actions to conclusion. The revised staffing structure is expected to be implemented in the first half of 2018.

13. Background Papers

13.1 None.