

Essex Pension Fund Business Plan 2010/11

Governance

Objectives:

- 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

Actions:

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at March 2011
1. Agree Fund objectives.	Draft Fund objectives will be submitted to the Board for approval in March 2010 with the 2010/11 business plan covering the full spectrum of delivering the pension fund. These objectives will be communicated to all stakeholders through incorporation into Fund communications/strategies, current and future (e.g. website, annual report and accounts).	Hol and PSM	Complete. The majority of fund objectives have been reviewed and agreed as part of the business plan process. The revised funding objectives, will be submitted to the Board in the draft Funding Strategy Statement at the March 2011 meeting and are included in this Business Plan report. The Business Plan will be published on the web-site.

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at March 2011
2. Annual business plan will be put in place.	A draft business plan will be produced based upon the draft objectives and submitted to the Board for approval in March 2010.	Hol and PSM	Complete - Plan agreed by March 2010 Board.
3. Measurement of progress.	Once the objectives and business plan have been agreed by the Board, officers will develop methods for measuring against those objectives and regular performance reports will be provided to the Board.	Hol and PSM	Complete – approach agreed by December 2010 Board. Performance reports will be brought to the Board during 2011/12.
4. Ensure ongoing monitoring of risks.	Each Board meeting will include an updated risk register detailing the main risks of not achieving the agreed objectives and business plan.	Hol and PSM	Complete - approach agreed by December 2010 Board. A report on risks will be on the agenda for the March 2011 Board meeting.

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at March 2011
5. Prepare and maintain a forward looking plan for 2010/11 and beyond.	<p>The forward looking plan will be presented to each Board meeting detailing business items scheduled for future meetings and still to be scheduled. It will included items such as:</p> <ul style="list-style-type: none"> • Tasks identified in the current business plan; • Training days or sessions; • When advisers and providers are to be reviewed; • When effectiveness of Board is to be reviewed; • When Board structure is to be reviewed; • Training self assessments; • Review of Fund objectives; • Review of current strategies and policies; • Preparation of future business plans. 	GO	Complete - This is now a standing item on Board agendas

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at March 2011
6. Review the scheme of delegation	Scheme of delegation to be reviewed to ensure appropriate reporting lines, particularly in relation to Pension Services.	GMI	<p>Work in progress - Initial review undertaken in line with Separate Bank Account arrangements.</p> <p>With effect from 1/12/2010 Pensions Services has moved from Essex Shared Services to Financial Strategy to work alongside the Investments Team.</p> <p>Final Review to be completed in 2011/12.</p>
7. Review legal advice requirements	Consider whether the Fund requires and is receiving the necessary specialist level of legal advice.	CS	<p>Complete - The Fund accesses a range of legal resources appropriate to the circumstances. The in-house Essex Legal Services team provides a range of advice and in the case of the Fund's investment property portfolio Nabarro Nathanson undertake the conveyancing. Further specialist advice could be accessed as appropriate and the in-house team would advise on the need for this and the means of doing so if it could not be provided in-house.</p>

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at March 2011
8. Feed into audit plans	Consider whether the Board can input into future years audit plans (both external and internal).	Hol	<p>Internal Audit In addition to any urgent matters Members may wish to bring to the attention of the Head of Internal Audit & Risk Management, the Board has two opportunities to input:</p> <ol style="list-style-type: none"> 1. Internal Audit's work plan is drawn up each autumn for the following financial year. At its December meeting Board Members can feed into this process. 2. In discussion of audit reports which are brought to the Board. <p>External Audit In addition to any urgent matters Members may wish to bring to the attention of External Audit the Board has two opportunities to input:</p> <ol style="list-style-type: none"> 1. In discussion of the annual Audit Opinion plan. 2. In discussion of the Annual Governance report.

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at March 2011
9. Further roll out of training and training needs assessments	<p>Consider further development of training for Board and officers including:</p> <ul style="list-style-type: none"> • Induction programme to be offered to all new members of the Board and ISC. Training opportunities identified and offered to existing members throughout the year. 	GO	<p>Ongoing - Training on the Actuarial Valuation process was given prior to 25 August 2010 Board meeting.</p> <p>A training session on basic pensions matters took place immediately before 15/12/10 Board meeting.</p> <p>Induction training has been offered to new members.</p> <p>A number of Board members attended the Baillie Gifford Investment Seminar on 5-7 October.</p>

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at March 2011
10. Annual review of governance policy	Review governance policy to ensure it is relevant and up to date, including the governance compliance statement therein.	Hol and PSM	To be submitted for approval in June 2011 in light of Review of Pension Board below.
11. Review of external supplier procurement	Review of the procedures for procurement and monitoring of external suppliers.	Hol and PSM	Ongoing - Register of Pension Fund contracts compiled – and will be used as the basis for ongoing review
12. Review of Pension Fund Board	Review the effectiveness of the Pension Fund Board, the membership of the Pension Fund Board and the services supplied to it.	GO and IGA	Complete – Report to March 2011 Board meeting.

Investments

Objectives:

- 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

Actions:

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at December 2010
13. Myner's Principles	Review all investment arrangements in light of the statutory guidance with regard to investment management (CIPFA's "Guide to the Application of the Myner's Principles" for LGPS funds).	Hol	Review completed. Draft revised SIP incorporating necessary changes approved for consultation by ISC 23/2/11. Changes to investment management and monitoring arrangements agreed as part of Strategy & Structure review will now be implemented.
14. Review of asset allocation	Following the results of the actuarial valuation, an asset liability study may be carried out in order to assist in the review of asset allocation.	Hol	Completed at 23/2/11 ISC meeting. Asset liability study commissioned to be carried out during 2011/12.

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at December 2010
15. Ensure that the separate bank account arrangements introduced with effect from April 2010 operate effectively and efficiently	Monitor the new arrangements, ensuring that cash receipts and payments are processed properly, that the treasury management arrangements operate effectively and deliver value for money and undertake the necessary reconciliations.	Hol	Separate Bank Account went live on 1 April 2010. Arrangements monitored on an ongoing basis.

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at December 2010
<p>16. To determine whether value for money is being obtained from the investment management fees being paid and to identify any areas where efficiencies can be achieved.</p>	<p>Internal audit have recommended that the Fund should benchmark the investment management fees it pays against other LGPS funds on a regular basis to determine whether they represent value for money and to identify any areas where efficiencies can be obtained. However it is not considered that benchmarking would be feasible in this area because of the confidential contractual relationships between investment managers and their clients. However we already obtain advice from our external investment consultants on fee levels at the time that mandates are originally negotiated and we will explore whether this can be done on a more regular basis.</p> <p>We will also investigate whether it is possible to include this service in the investment consultancy contract.</p>	<p>Hol</p>	<p>New monitoring arrangements agreed as part of Strategy & Structure review will now be implemented by investment consultant as part of their annual review of performance.</p>

Funding

Objectives

- Achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters
- 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
- Minimise unrecoverable debt on termination of employer participation

Actions:

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at December 2010
17. Review Funding Strategy Statement	In conjunction with the actuarial valuation and in discussion with the Actuary, the FSS will be reviewed and consulted on to ensure that it remains appropriate. If necessary it will be revised and a new Statement published.	Hol	Complete. Draft revised FSS will be submitted to March 2011 Board meeting for approval.
18. Actuarial Valuation as at 31 March 2010.	A triennial actuarial valuation of the Fund as at 31/3/10 will be commissioned from the Actuary and the results will be adjusted as necessary by the results of the national cost sharing (cap and share) modelling.	Hol	Valuation has now been completed. The Actuary will issue his final report by 31 March 2011 in accordance with statutory requirements.

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at December 2010
19. Admission/employer participation/bulk transfer policy	Develop a draft admission and bulk transfer policy for approval by the Pensions Board, which will provide greater transparency and governance for participating or potential employers and provide better control of the funding risks associated with admissions and bulk transfers for the Fund.	Hol and PSM	The initial framework structure has been discussed and the documentation of the framework is ongoing.

Administration

Objectives:

- 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

Actions:

Action	How will this be achieved	Officer responsible for managing action*	Progress as at March 2011
20. Independent review of Pensions Services (administration)	The independent advisor will carry out a review of administration services.	IGA	Scope for the review agreed January 2011, Review undertaken February 2011 – update report to Board – see separate item on agenda
21. Actuarial valuation as at 31 March 2010	Provide data to the fund actuary and to GAD so they may carry out the necessary calculations for the actuarial valuation and cost sharing (cap and share).	PSM	Complete - Data provided by agreed deadline of 16th July 2010
22. Administering authority discretions	Review administering authority discretions and put these to the Pensions Board for approval.	PSM	Complete – agreed by December 2010 Board,
23. Employing authority discretions	Work with employers to ensure they have the appropriate employer discretionary policies in place and that they are reviewed periodically.	PSM	Complete – will be part of the communications strategy in 2011/12

Action	How will this be achieved	Officer responsible for managing action*	Progress as at March 2011
24. Staff resources will be monitored to ensure that appropriate support can be provided to the Board, the ISC and other stakeholders.	As part of the ongoing general management of the service, workloads, resources and priorities are monitored and discussed at team meetings. A particular issue will be to monitor adequacy of resources in light of new governance arrangements.	PSM and Hol	Ongoing
25. Administration strategy	Preparation work for developing an administration strategy in the future (possibly 2011/12).	PSM	This investigation to commence post valuation exercise and independent review of administration. A separate agenda item updating the Board on the independent review is elsewhere on the agenda.

Communications

Objectives:

- 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 members

Actions:

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at December 2010
26. Improve employer engagement	Review and put in place a plan to improve engagement with employers of the fund. This will include a review of the current communication strategy.	PSM	<p>Preliminary discussions have taken place in readiness to put a plan into place</p> <p>Work on a final plan to commence in 2011/12 following the outcome of independent review of pensions administration. A separate agenda item updating the Board on the independent review is elsewhere on the agenda.</p>
27. Employer forum	As part of the triennial valuation exercise, a further employer forum should be held during autumn to communicate the results and consult on employer contribution rates.	GMI	Complete.

Action	How will this be achieved?	Officer responsible for managing action*	Progress as at December 2010
28. Website	Extend the Essex Pension Fund Website to include on-line elements for scheme members and employers.	PSM	Website went live to all 7/6/2010 Interactive on-line elements have been delayed (see number 30 below).
29. Employing Authorities Web Site	Providing up to date developments in the Scheme regulations and good practices	PSM	Pending available resources - may be part of the communications strategy in 2011/12
30. Member and Employer self service	Investigate and develop action plan for the implementation of member and employer self service. Allowing access through the internet to members pensions record and employers access to their current employees records, enabling calculations for estimates of benefits	PSM	Delayed - This has been put on hold due to procurement requirements. Pension Services are exploring ways of working with other funds to consider ways of progressing in partnership which may provide better value for money. This is likely to be carried forward into 2011/12 business plan. To be reviewed in line with Hutton outcomes.
31. Annual report and accounts	Consider the feasibility of producing a summary annual report and accounts for easier communication with scheme members and other stakeholders.	GMI	An example summary annual report has been produced for consideration and comment.

***Key to officers managing action:**

Hol	Head of Investments	Martin Quinn
PSM	Pension Services Manager	Jody Evans
GO	Governance Officer	Judith Dignum
GMI	Group Manager Investments	Kevin McDonald
IGA	Independent Governance Adviser	Karen McWilliam
CS	County Solicitor	Philip Thomson