

Essex Pension Fund Board	EPB/14/11
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Measurement against Fund Objective – Scorecard

Report by the Independent Governance and Administration Adviser, Head of Investments and the Pensions Services Manager

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1. Purpose of the Report

- 1.1 To put forward the initial Pension Fund Corporate Scorecard showing how the Fund is performing against the agreed objectives.

2. Recommendations

- 2.1 That the Board recommend amendments to the Scorecard where appropriate in order to make it a more effective management tool
- 2.2 That the Board note progress against the Fund's objectives and note that there will be an opportunity to review the Funds' objectives at the annual away day in the autumn (date to be confirmed).

3. Background

- 3.1 It is a key element of good governance that the Fund has clear objectives, so that the Board and its officers are aligned in what the Fund is trying to achieve. These objectives provide direction and focus and help prioritise the actions to be taken. The Board agreed the first set of the Fund's objectives at the March 2010 meeting and these were accepted again in March 2011 as part of the 2011/12 business plan. At each Board meeting an update on progress against the business plan is provided.
- 3.2 It is important that the Board provide ongoing supervision and monitoring in relation to the agreed objectives, in particular ensuring there is ongoing performance measurement against them. Means to measure against the Fund's objectives were agreed at the December 2010 and it was further agreed that performance would be reported back to the Board.

4. Measurement Against Objectives

- 4.1 Since December 2010 officers have been developing a Scorecard to capture performance against the Fund's objectives. This methodology is used in other areas of Essex County Council so may be familiar to some Board members.
- 4.2 The first of the Pension Fund Scorecards is attached at Annex A. This shows performance up to 31 May 2011 (though in some cases measurements are up to 31 March or another date). It should be noted that some of the measurements cannot be provided yet due to the period over which they are being measured (e.g. some year-end information is not available until autumn). In addition, there will be a number of areas where previous year (or other relevant cycle) information is not available and will not be available until the second cycle of measurement.
- 4.3 Where measures have been proposed by the Board these have been adopted. Officers have also developed measures by adapting those used elsewhere in the Council or by designing new measures to suit the Board's requirements.
- 4.4 The Board is invited to review the structure, measures and targets contained in the Scorecard and recommend improvements in order to make it more useful as a management tool. In particular, the Board is asked to consider whether the current scorecard achieves an appropriate balance between measures of governance and administration versus impact on outcomes for our scheme members and employers.
- 4.5 The key findings from the Scorecard are as follows, with more detail provided in the attached document:
- Investments: Essex's annual performance in 2009/10 was 35.5%. This puts the authority second in a group of 6 statistical neighbours.
 - Funding: The Fund is predicted to produce a return greater than the assumption made by the Funding Strategy. The long term investment return

assumed by the Funding Strategy is 6.4%. The Statement of Investment Principles assumes 7.9%.

- Administration and Communication: The Fund achieved its 'Gold Standard' target for communications with scheme members in 2009/10 across 5 of 8 activities. It compares favourably within other funds in this area and is aiming to achieve 'Gold Standard' across all communications activities.
- Governance: Key governance objectives, such as attendance at the ISC and publication of ISC and Board documentation are not currently being met. The Governance Team is taking action to improve performance in relation to the publication of meeting documentation across the organisation. These areas will be monitored and highlighted in future scorecards.

5. Link to Fund Objectives

5.1 The Pension Fund Corporate Scorecard will ensure the Board is achieving the following Fund Governance Objective:

- Continually measure and monitor success against our objectives

6. Risk Implications

6.1 If insufficient time is spent measuring progress, the fund may not achieve its objectives and the Board may also not receive early warning of potential failure. The impact of not putting in place such governance arrangements could cover a range of areas including:

- Lack of sense of direction for the Board and its officers resulting in inefficient use of resources;
- Reputational damage to Essex County Council, the Fund, the Board and its officers;
- Financial implications covering areas such as incorrect payment of benefits, poorer investment returns and/or greater deficit.

7. Communication Implications

7.1 The Fund's objectives will be available in the annual report and accounts and on the Fund website.

7.2 Further information on the objectives, measurements and risks is available to stakeholders as part of the public availability of Board agendas, papers and minutes.

7.3 It is not considered that further communication of these matters is necessary.

8. Finance and Resources Implications

8.1 Collating the information to feed into the Scorecard is resulting in additional work for officers. Recent work on the scorecard has focused on achieving the appropriate balance between resource constraints and the potential costs (or lack of gains) that could arise as a result of the risks mentioned above if the work did not proceed.

9. Background Papers

9.1 EPB17/10 – Measurements against Fund Objectives and Risks.