

[Document would need restyled to meet EPF branding including adding logo]

ESSEX PENSION FUND

**Administered by
Essex County Council**

BUSINESS PLAN 2019/20 TO 2021/22

March 2019

Introduction

This is the business plan for the Essex Pension Fund, which is managed and administered by Essex County Council. The business plan details our priorities and areas of key focus in relation to the Essex Pension Fund for 2019/20, 2020/21 and 2021/22. This business plan was approved at the Essex Pension Fund Strategy Board meeting on [date of PSB]. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pension Strategy Board may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background and objectives of Essex County Council for the management of the Essex Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Essex Pension Fund during 2019/20 including the resources required to manage the Fund.

Further Information

If you require further information about anything in or related to this business plan, please contact:

[add contact details]

Background to the Essex Pension Fund

The Essex Pension Fund ("EPF") is a £XXbn¹ Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in the South East of England and employees of other qualifying bodies which provide similar services.

Total Fund membership is about nn (nn) with about nn (nn) active contributors from nn (nn) contributing employers and about nn (nn) retired, survivor, deferred and other members. The figures shown in brackets were as at March 2018.

Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Essex County Council ("the Council") to a formal Pension Strategy Board ("PSB"). The Executive Director for Corporate and Customer Services is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters.

A Local Pension Board, known as the Pension Advisory Board ("PAB") is in place to assist in:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.

[add diagram]

[Then add a paragraph to explain how you participate in the governance structure of ACCESS i.e. JC, OWG and how it is established such as the IAA. Note I would probably add a para to explain that ECC is also the Host Authority for the ASU but that is not part of the administering authority duties relating to the management of the EPF and therefore this business plan does not include priorities or other information relating to the operation of that unit albeit officers of the Fund will support that unit, as other administering authorities are, until it is fully resourced].

The Pension Fund Management Team

The day to day operations of the Fund are managed by the Head of the Essex Pension Fund. He is supported by X teams:

- [add a paragraph in relation to each of the main areas in the section and what they do].

¹ Information correct as at XX 2019.

The structure of the team as at March 2019 is illustrated below.

[add diagram]

The Pension Fund Management Team and Pension Strategy Board are assisted by a range of specialist consultants, suppliers and fund managers.

Aims and Objectives for the Management of the Fund

Our Mission Statement is:

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at www.essexpensionfund.co.uk

[customise the list to include what you have/what is on the website]

- Governance Policy and Compliance Statement
- Training Policy, Conflicts of Interest Policy, Risk Management Policy and Reporting and Recording Breaches of the Law Procedure
- Investment Strategy Statement and Compliance Statement
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of governance, funding, investments, administration and communications to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Provide a high quality service whilst maintaining value for money.
- Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
- 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, particularly the Fund's beneficiaries, 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.

Investments

- To maximise the returns from investments within reasonable risk parameters.
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented.

- Ensure investment issues are communicated appropriately to the Fund's stakeholders.

Funding

- To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible.
- To prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement.
- To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption, where necessary, of employer specific funding objectives.
- To ensure consistency between the investment strategy and funding strategy.
- To maintain liquidity in order to meet projected net cash-flow outgoings.
- To minimise unrecoverable debt on termination of employer participation.

Administration

- Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.
- Ensure contribution income is collected from, the right people at the right time in the right amount.
- Ensure benefits are paid to the right people at the right time in the right amount.
- Data is protected to ensure security and authorised use only.
- Clearly establish the levels of performance the Fund and its employers are expected to achieve in carrying out their functions.
- Develop successful partnership working between the Fund and its employers.

Communications

- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.
- Ensure our communications are simple, relevant and have impact.
- Deliver information in a way that suits all types of stakeholder.
- Aim for full appreciation of the pension scheme benefits and changes to the scheme by all scheme members, prospective scheme members and employ.

Business as usual

The appendix to this business plan highlights what our key priorities are for the next three years. This focusses on areas of change and project like tasks which are in addition to our day to day “business as usual” duties. On a day to day basis our focus is on the following key elements of Fund management:

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, again as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the money in the Fund (the Fund’s assets)
- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, every three years, he determines how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future

Managing the Fund on a day to day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The management of the Fund is significant, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

[Update list to be your main teams in the section and list key day to day duties in each area. Suggest no more than about 8 bullets per area]

Governance

Accountancy

Funding

Investments

Administration

Payroll

Communication

Technical

The plan for the next three years

Key Challenges and Influences

[add a couple of paras to set the scene; perhaps looking back at the work in the last couple of years that has set you up for where you are now. Then highlighting just the three or four main areas of focus for the next three years].

These, and other priorities for the next three years, are articulated in more detail in the appendix to this business plan, split into four sections; governance, funding and investments, and administration and communications.

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council.

The following shows the expected income and expenditure to the Fund (cash flow) as well as the expected operating costs.

Cash flow projection for 2019/20

[add]

Operating Cost Budget 2019/20

[add]

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the Pension Fund Management Team
- provide updates on progress against these key priorities on a quarterly basis to the Pension Strategy Board, which will be shared with the Pension Advisory Board
- as part of these quarterly updates:
 - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
 - highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Key Risks

The Essex Pension Fund has embedded risk management into the governance of the Fund. The Pension Strategy Board has approved a detailed Risk Register which is maintained. Changes to the level of risk are reported at each Board.

Given that many pension fund risks are outside of our control, our risk management focusses on measuring the current risk against the Fund's agreed target risk (which may still be relatively high) and identifying the further controls and actions that can be put in place. This risk management process is integral in identifying actions that are then included in the Fund's Business Plan.

Overall the next few years will be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the Risk Register which will continue to be updated at each Board meeting as circumstances change. The risks shown are those risks which are currently identified as amber or higher.

Key:

			Impact/Consequences (Negative)			
			Minor	Moderate	Major	Critical
			1	2	3	4
Probability	4	Almost Certain	Medium (4)	High (8)	VeryHigh (12)	Very High (16)
	3	Likely	Medium (3)	High (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	High (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Medium (3)	Medium (4)

[Paste in the high-level info on the key risks that are in the range you want to include]

Training Plan

An Essex Pension Fund Training Policy has been established to aid the Pension Strategy Board members, Pension Advisory Board members and senior officers in performing and developing personally in their individual roles, with the aim of ensuring that Essex Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The following training plan has been developed for 2019/20 to assist in meeting that aim.

Title of session	Training Content	Timescale	Audience

Appendix - BUSINESS PLAN 2019/20 - 2021/22 – Key Tasks

Governance

Ref	Key Action –Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
1.1							
1.2							
1.3							
1.4							
1.5							

[Describe each task below and then put the title in the summary box above with an x in each time that it'll be going on]

1.1 – [Title]

What is it?

[Short explanation – no more than about ten lines]

Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]

Resource and Budget Implications

[Two or three lines highlighting if any additional costs expected (external or internal) and any impact on resources/how and who will deliver it]

1.2 – [Title]

What is it?

[Short explanation – no more than about ten lines]

Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]

Resource and Budget Implications

[Two or three lines highlighting if any additional costs expected (external or internal) and any impact on resources/how and who will deliver it]

Example of wording that could be used:

1.1 – Review/Tender Investment Consultancy Contracts

What is it?

The Fund's investment consultancy contract is due to cease on 1 April 2020. In the lead up to this, a review will be carried out of whether the existing services should be retendered in their current format or whether there is an alternative consultancy contract that could be put in place. Thereafter a procurement exercise will take place.

Timescales and Stages

Review appropriateness/decide format of future contracts	2019/20 Q2
Conduct tender for services	2019/20 Q3 & Q4

Resource and Budget Implications

To be led by Director of EPF, Head of EPF and Investment Manager within existing budget.

Potential areas to list under governance:

- Review/appointment of PAB/PSB members where appointments are coming to an end
- Putting in place a Fund Conflicts of Interest policy
- Any other governance relating policies that are due for a review during this period
- Any procurements where contracts cease in next three or four years – don't forget admin system
- Implementing any changes because of the SAB separation/efficiency of governance project
- Investigating cybercrime risk and ensuring all mitigations are implemented, and a system put in place to ensure they are regularly checked/updated
- Finalising staffing structure review / filling final places / implementing all changes

Funding and Investments

Ref	Key Action –Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
2.1							
2.2							
2.3							
2.4							
2.5							

[Describe each task below and then put the title in the summary box above with an x in each time that it'll be going on]

2.1 – [Title]

What is it?

[Short explanation – no more than about ten lines]

Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]

Resource and Budget Implications

[Two or three lines highlighting if any additional costs expected (external or internal) and any impact on resources/how and who will deliver it]

Potential areas to list under funding/investments:

- Implementation of asset pooling including transition of final assets to ACCESS, checking suitability of ongoing reporting to EPF, ensuring info received meets EPF accounting needs etc and any decisions relating to reserved matters that are more associated with the establishment of the pool, such as changes to governance structures
- Consider further expansion of RI policy
- Actuarial valuation and review FSS
- Review of ISS
- Reviewing employer costs because of potential changes due to cost cap and court decisions (e.g. McCloud) as required – this might be aligned to valuation but potential to be out of synch/additional exercise

Administration and Communications

Ref	Key Action –Task	2019/20 Period				Later Years	
		Q1	Q2	Q3	Q4	2020/ 21	2021/ 22
3.1							
3.2							
3.3							
3.4							
3.5							

[Describe each task below and then put the title in the summary box above with an x in each time that it'll be going on]

3.1 – [Title]

What is it?

[Short explanation – no more than about ten lines]

Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]

Resource and Budget Implications

[Two or three lines highlighting if any additional costs expected (external or internal) and any impact on resources/how and who will deliver it]

Potential areas to list under admin/comms:

- Getting remaining employers onboarded to electronic monthly uploads
- Communicating and updating systems/processes because of cost cap and/or major benefit changes expected including survivors benefits (recent amendments) and potential impact of McCloud case (recognising some dates unknown)
- Development work for National Pensions Dashboard
- Review Administration & Communications Strategy Statements
- Preparation of Member Data for Valuation and Funding Reviews
- Completing GMP Reconciliation and implementing further changes due to GMP Equalisation/Indexation
- Data Improvement Plan Development / Implementation
- Implement one off lump sum payment system

Appendix - BUSINESS PLAN 2019/20 - 2021/22 – Outlook for future Board and Committee Agenda Items

To be completed.

DRAFT