



Essex County Council

Essex Pension Fund Strategy Board

13:00	Wednesday, 11 September 2019	Committee Room 2, County Hall, Chelmsford, CM1 1QH
--------------	---	---

For information about the meeting please ask for:

Amanda Crawford, Compliance Manager

Telephone: 03330 321763

Email: Amanda.crawford@essex.gov.uk

		Pages
1	Membership, Apologies and Declaration of Interest To receive a report from the Compliance Manager	5 - 6
2	Minutes of PSB Meeting 3 July 2019 To approve as a correct record the minutes of the Board meeting held on 3 July 2019	7 - 16
3.A	Actuarial Valuation To receive a presentation by the Fund's Actuary, Barnett Waddingham	
3.B	Draft Funding Strategy Statement To receive a report from the Employer Manager	17 - 44
4	External Audit Report 2018/19 To receive a report and presentation from the Director for Essex Pension Fund and the Investment Manager	45 - 84
5	Officer Changes within Essex Pension Fund To receive an update on the Officer changes within Essex Pension Fund	85 - 88

6	Update on the PAB Review To receive a report and update from the Compliance Manager and Independent Governance & Administration Advisor (IGAA)	89 - 92
7	Arrangements for Other Employing Bodies PSB Representative To receive a report from the Compliance Manager in consultation with the IGAA	93 - 96
8	Government Consultations To receive a report from the Technical Hub Manager	97 - 110
9	Update on Pension Fund Activity To receive a report and presentation by the Compliance Manager	111 - 154
10	Investment Steering Committee (ISC) Quarterly Report To receive a report by the Investment Manager	155 - 160
11	Schedule of Future Meetings To note the following future dates: <u>Pension Strategy Board</u> 18 December 2019 4 March 2020 <u>Investment Steering Committee</u> 9 & 10 October 2019 – Baillie Gifford Investment Conference 27 November 2019 19 February 2020 25 March 2020	
12	Urgent Business To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.	

Exempt Items

((During consideration of these items the meeting is not likely to be open to the press and public))

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

13 Annual Returns 2018/19 Update

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

14 Employer Risk Analysis Update

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

15 Exit Payments

To receive a presentation by the Employer Manager

16 Pooling Update

To receive a presentation by the Interim Director for Essex Pension Fund

17 Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Essex County Council and Committees Information

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972. If there is exempted business, it will be clearly marked as an Exempt Item on the agenda and members of the public and any representatives of the media will be asked to leave the meeting room for that item.

The agenda is available on the [Essex County Council website](#) and by then following the links from [Running the Council](#) or you can go directly to the [Meetings Calendar](#) to see what is happening this month.

Attendance at meetings

Most meetings are held at County Hall, Chelmsford, CM1 1LX. [A map and directions](#)

[to County Hall can be found on our website.](#)

Access to the meeting and reasonable adjustments

County Hall is accessible via ramped access to the building for people with physical disabilities.

The Council Chamber and Committee Rooms are accessible by lift and are located on the first and second floors of County Hall.

Induction loop facilities are available in most Meeting Rooms. Specialist headsets are available from Reception.

With sufficient notice, documents can be made available in alternative formats, for further information about this or about the meeting in general please contact the named officer on the agenda pack or email democratic.services@essex.gov.uk

Audio recording of meetings

Please note that in the interests of improving access to the Council's meetings, a sound recording is made of the public parts of many of the Council's Committees. The Chairman will make an announcement at the start of the meeting if it is being recorded.

If you are unable to attend and wish to see if the recording is available, you can find out by checking the [Calendar of Meetings](#) any time after the meeting starts. Any audio available can be accessed via the 'On air now!' box in the centre of the page, or the links immediately below it.

Should you wish to record the meeting, please contact the officer shown on the agenda front page.

Essex Pension Fund Membership, Apologies and Declarations of Interest

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

1. Purpose of the Report

1.1 To present Membership, apologies and Declarations of Interest for the 11 September 2019 PSB.

2. Recommendation

2.1 That the Board should note:

- Membership as shown below;
- Apologies;
- Declarations of interest to be made by Members in accordance with the Members' Code of Conduct.

3. Membership

(Quorum: 4)

11 members consisting of:

- seven Members of the Council;
- one member representing District and Borough Councils in Essex;
- one member representing Unitary Councils in Essex;
- one member representing Scheme Members nominated by Unison; and
- one member representing Other Employing Bodies nominated by the Employer Forum.

Membership

Representing

Councillor S Barker

Essex County Council (Chairman)

Councillor M Platt

Essex County Council (Vice Chairman)

Councillor A Goggin

Essex County Council

Councillor A Hedley

Essex County Council

Councillor L Scordis

Essex County Council

Councillor C Souter

Essex County Council

Councillor M Maddocks

Essex County Council

Councillor M Dent

Southend-on-Sea Borough Council

Ms J Moore

Other Employing Bodies

Councillor C Riley

Castle Point District Council

Sandra Child

Scheme Members

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB) held in Committee Room 2, on 3 July 2019

1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest were received.

Membership

Present:

Essex County Council

Cllr S Barker	(Chairman)	
Cllr M Platt	(Vice Chairman)	
Cllr A Goggin		
Cllr M Maddocks		
Cllr C Souter		Left 3pm
Cllr A Hedley		
Cllr A Davies	(Substitute for Cllr Scordis)	

District/Borough Councils in Essex

Cllr M Dent	Southend Borough Council
-------------	--------------------------

Scheme Member Representatives

Sandra Child (UNISON)

Smaller Employing Bodies

Jenny Moore

The following officers and advisors were also present in support:

Kevin McDonald	Director for Essex Pension Fund	
Jody Evans	Head of Essex Pension Fund	
Sara Maxey	Employer Manager	
Sam Andrews	Investment Manager	
Helen Pennock	Compliance Analyst	
Marcia Wong	Compliance Officer	
Karen McWilliam	IGAA (AON)	Left 3:10pm

The following Essex Pension Fund Advisory Board (PAB) members were present as observers of the meeting:

Paul Hewitt	Scheme Member Representative
Andrew Coburn	UNISON

Members noted that the meeting would be recorded to assist with the minutes for the meeting.

Opening Remarks

The Chairman welcomed Cllr Dent to his first meeting. Cllr Davies along with observers Paul Hewitt and Andrew Coburn, Essex Pension Fund Advisory Board (PAB) members, and Dan Chessell, Essex Pension Fund - Retirements Manager.

This being Cllr Dent's first meeting, introductions round the table took place.

Apologies for Absence

Apologies were received from Cllr Scordis, Cllr Erskine, Cllr Riley (Castle Point Borough Council), Nicola Mark (Chairman of Essex Pension Fund Advisory Board (PAB) and Debs Hurst (PAB member).

Declarations of Interest

As this was the first meeting of the year declaration forms were given to all Board members present to complete.

Declarations were received from:

Cllr S Barker - in receipt of an Essex LGPS pension. Son is a member of the Essex LGPS pension scheme;

Cllr A Goggin - wife, sister and brother-in-law are in receipt of an Essex LGPS pension;

Cllr M Maddocks - in receipt of an Essex LGPS Pension;

Cllr Hedley - in receipt of an Aviva Group pension;

Cllr A Davies - has a deferred Essex LGPS pension;

Jenny Moore - in receipt of an Essex LGPS Pension; and

Sandra Child - in receipt of an Essex LGPS Pension.

2. Appointment of Chairman

It was noted that on 14 May 2019, Cllr S Barker was formally reappointed at the Annual Meeting of Essex County Council, Chairman of the Essex Pension Fund Strategy Board and the Essex Pension Fund Investment Steering Committee.

Resolved:

The Board noted this.

3. Appointment of Deputy Chairman

It was agreed that Cllr M Platt be reappointed as Vice Chairman.

Resolved:

The Board agreed this.

4. Minutes

Minutes of the meeting of the PSB held on 6 March 2019 were approved as a correct record and signed by the Chairman.

Resolved:

The Board noted this.

5. Essex Pension Fund Strategy Board Terms of Reference (ToR)

The Chairman highlighted that an unchanged ToR was agreed at the annual meeting of Essex County Council on 14 May 2019.

Resolved:

The Board noted the ToR.

6. Essex Pension Fund ToR Review

The Independent Governance & Administration Advisor (IGAA) provided the Board with a presentation and report on the revised ToR and wording for:

- Essex Pension Fund Advisory Board;
- Essex Pension Fund Strategy Board;
- Investment Steering Committee; and
- Other Matters including Officer Delegations.

The IGAA explained that these had been reviewed in consultation with the Director of Legal & Assurance (Monitoring Officer) for ECC. The Board were advised that the ToRs would be taken to the Constitution Working Group in September and to Full Council in October. The Chairman advised the Board that the revised ToRs would need to be early on the Full Council agenda as Cllr Members of the ISC would be leaving early to attend the Baillie Gifford Conference in Edinburgh.

Slides were shown highlighting the process and the key changes to the ToRs.

It was explained that the ISC had asked for one amendment to clause 4b at their meeting on 26 June 2019. This change had subsequently been taken into account after the publication of the agenda for this meeting and therefore hardcopies of the revised ISC ToR were given to the Board.

The Chairman highlighted that the PSB ToR referred to 'triennial' valuation and in light of the current consultation reviewing the valuation cycle, it was agreed that 'triennial' be replaced with 'actuarial' valuation.

The Chairman asked the Boards view on the expenses detailed in the PAB ToR and asked if this should apply to PAB attendance only or also include

observers. It was discussed and agreed that these seemed reasonable and fair.

It was also stated that the recent change to Section 151 Officer role would be incorporated within all ToRs prior to going to Full Council for approval.

Resolved:

The Board agreed:

- for PAB Members to receive an allowance for their attendance at their meetings and as observers to the PSB and ISC meetings;
- for the amendment from 'triennial' to 'actuarial' being made to the PSB ToR; and
- to approve all ToRs for onward approval by Full Council.

7. Update on the PAB Membership Review

The Head of Essex Pension Fund gave an update on the progress to date.

The closing date for applications is 5 July 2019 and so far there has been a good level of interest with 4 applicants. It was confirmed that current members could re-apply.

The Board was advised that interviews would be taking place on either the 24 or 25 July 2019 and that the interview panel was agreed at a previous meeting.

Resolved:

The Board noted the progress and update.

8. Valuation Training including update on the McCloud judgement/guidance and Cost Management Process

The Board received a training presentation on the triennial valuation from the Fund's Actuary.

The presentation covered:

- a recap on actuarial valuations;
- assumptions;
- funding update; and
- the 2019 valuation along with current issues.

The Board were also updated on the McCloud judgement. The Board were informed that the Government appeal had been denied by the Supreme Court. The Board were also provided with an update on the Cost Management Process.

Resolved:

The Board noted:

- valuation training; and
- updates in relation to McCloud and the Cost Management Process.

9. Government Consultations

The Board received a report from the Director for Essex Pension Fund and the Fund Actuary on the following consultations:

Restricting exit payments in the public sector: consultation on implementation of regulations (95k CAP)

The Board were notified that a response to this consultation was due today 3 July 2019. Subject to minor amendments agreed by the Board, the response would be submitted this afternoon.

Changes to the local valuation cycle and the management of employer risk

The Board were advised that officers were in discussions with advisers concerning this consultation and the Fund's final response would be shared with the Chairman before it is submitted.

Fair Deal

The Board were referred to the agenda pack Item 9 appendix C for the Fund's response to this consultation which was agreed at the Board's last meeting.

Resolved:

The Board agreed:

- minor amendments to be made to the draft response to the Restricting exit payments consultation;
 - under the section Level of the cap: amend paragraph 5 to include 'as is now understood to be the case in regulations due to be implemented in Scotland';
 - within the supporting information page, amend the title of the table to include 'by £95k Cap' and include another column to show the percentage profile of the affected employees; and
- once these changes had been made, the response to be submitted.

Resolved:

The Board noted:

- the update in relation to the valuation cycle consultation; and
- the response submitted by the Fund in relation to Fair Deal.

10. Update on Pension Fund Activity

The Board received an update from the Director for Essex Pension Fund and the Head of Essex Pension Fund on the Business plan, Risk Register and the Scorecard, noting in particular any areas of concern.

During the consideration of this item the following were highlighted:

- good progress had been made on the Business Plan, although 12 objectives have been carried forward into 2019/20;
- GMP communication/entitlement would revert to BAU, until the next steps by the HMRC are known;
- an update on the risk register was provided to the Board highlighting those with an amber score or more. A new format was used to present these results; and
- the scorecard improvement and declined scores were highlighted .

The Director for Essex Pension Fund notified the Board that the Risk Register is a live document and due to recent assessment, risk G14 has been scored as 12 falling into the red categorisation. This is due to the current issues surrounding the McCloud case.

The Chairman referred to 4.1 of the Scorecard and brought to the Boards attention the number of cases processed by the Admin Team.

The Head of Essex Pension Fund also informed the Board that the PAB had been asked to assist with the review of the Employer Survey. As there had been a decline in the numbers responding, it was suggested by the IGAA that this was a similar pattern across all Fund's and it seemed that the decline could be linked to the surveys being digital.

Resolved:

The Board noted:

- the update for year end 31 March 2019;
- progress for 2019/20;
- the current risks scoring an Amber; and
- the latest scorecard measures.

11. Internal Audit Report 2018/19

The Head of Essex Pension Fund provided the Board with the results of the two internal audit reviews. Both reviews received 'Good Assurance' and it should be noted that this is the highest level of assurance that can be given.

Although previously 'Good Assurance' has been received this is the first time that there were also no recommendations.

The Chairman requested that their congratulations be passed back to all teams for their excellent work.

The Head of Essex Pension Fund provided the Board with an update in relation to the NFI data matching exercise and stated that some cases were still under review.

12. Essex Pension Fund – Draft Accounts 2018/19

The Board received a report in relation to the Essex Pension Fund draft accounts from the Investment Manager. The Board were notified that the timeline for completion had been bought forward.

It was highlighted that under Fund Account for the year ended 31 March 2019 (page 190 of the agenda pack) transfers out show a significant increase on previous year, but this was due to a transfer of one employer.

It was also noted that the membership figure (page 206 of the agenda pack) for Contributors and Deferred pensioners showed a significant decrease/increase compared to last year due to the lack of notification from one employer in relation to the movements of the Funds members. This has since been addressed.

The Director for Essex Pension Fund thanked the Investment Manager and Employer Manager for their hard work to get the accounts completed within the timeframe.

Resolved:

The Board noted the report.

13. External Audit Plan 2018/19

The Investment Manager provided the Board with an update in relation to the Audit Plan from BDO and stated that this was their first year auditing the Fund.

Resolved:

The Board noted the report.

14. Essex Pension Fund Strategy Board (PSB) – Annual Report

The Board received a presentation from the Director for Essex Pension Fund. It was noted that since publication of the agenda pack, amendments had been made to incorporate the Chairman's comments.

These were:

- consistency of the value of the fund; and
- revision of the paragraphs relating to GAD and s13.

The Board were advised that the Report would be taken to Full Council next week.

Resolved:

The Board noted the report.

15. Investment Steering Committee (ISC) Quarterly Report

The Board received a report from the Director for Essex Pension Fund which provided details on the ISC activity since the previous Board meeting.

It was noted that the ISC met on 27 March 2019 and the decisions made were detailed within the report. A second meeting was held on 26 June 2019 and the Board received a verbal update on this meeting.

Resolved:

The Board noted the report and update.

16. Essex Pension Fund Advisory Board (PAB) Annual and Quarterly Reports

The Head of Essex Pension Fund provided the Board with an overview of the PAB annual report which detailed their activities during 2018/19. The Board were also informed that this report would be sent to the SAB and that it would also form part of the Funds Annual Report and Accounts.

The Board also received an update on the last PAB meeting which took place in June.

Resolved:

The Board noted the report and update.

17. Schedule of Future meetings

The Board received a presentation from the Director for Essex Pension Fund which detailed the planned Committee and Board meetings for the municipal year.

Pension Strategy Board

11 September 2019

18 December 2019

4 March 2020

Investment Steering Committee

17 July 2019

8, 9 & 10 October 2019 – Baillie Gifford Investment Conference

27 November 2019

19 February 2020

25 March 2020

Pension Advisory Board

25 September 2019

15 January 2020

The Director for Essex Pension Fund also notified the Board of the events/conferences that were on the horizon during 2019/20.

Resolved:

The Board noted the schedule of meetings and events for 2019/20.

18. Urgent Part I Business

None.

Exclusion of the Public and Press

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

Resolved:

The Chairman brought to the attention the above statement and the Board agreed to proceed.

19. Pooling Update

The Board received a presentation and update on the latest developments from the Director for Essex Pension Fund.

Resolved:

The Board noted the presentation.

20. Exit Payments of Employer Contracts

The Board received a report from the Employer Manager on employer cessations that had resulted in an exit credit.

Resolved:

The Board noted the report and update.

21. Urgent Exempt -Business

None.

22. Closing Remarks

The Chairman reaffirmed that the next PSB would take place on Wednesday 11 September 2019 at its usual start time of 1.00pm.

There being no further business the meeting closed at 3.35pm.

Chairman
11 September 2019

Essex Pension Fund Strategy Board	PSB 03.B
Date: 11 September 2019	

Draft Funding Strategy Statement

Report by the Employer Manager

Enquiries to Sara Maxey on 03330 138496

1. Purpose of the Report

- 1.1 To provide the 2016 Funding Strategy Statement (FSS) to the Board to highlight the requirement for the Statement to be reviewed in conjunction with the Actuarial Valuation.

2. Recommendation

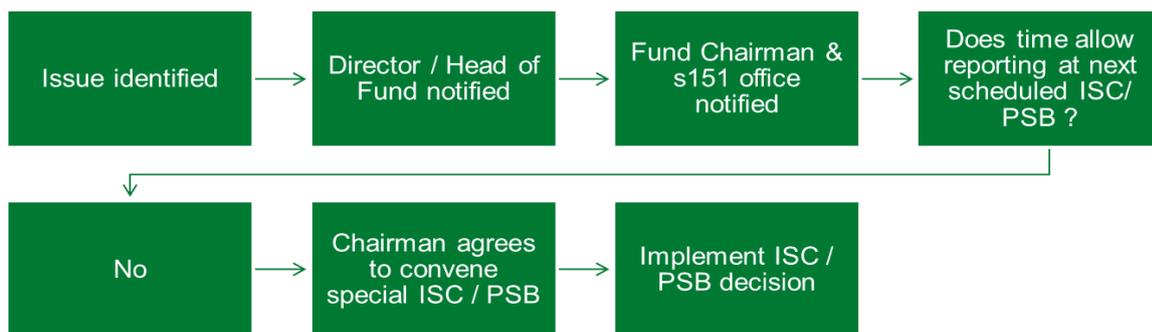
- 2.1 That the Board should:
- agree to review the 2019 FSS out of committee using the decision-making process;
 - that the PSB approve the timescales outlined in paragraph 5.1; and
 - note the report.

3. Background

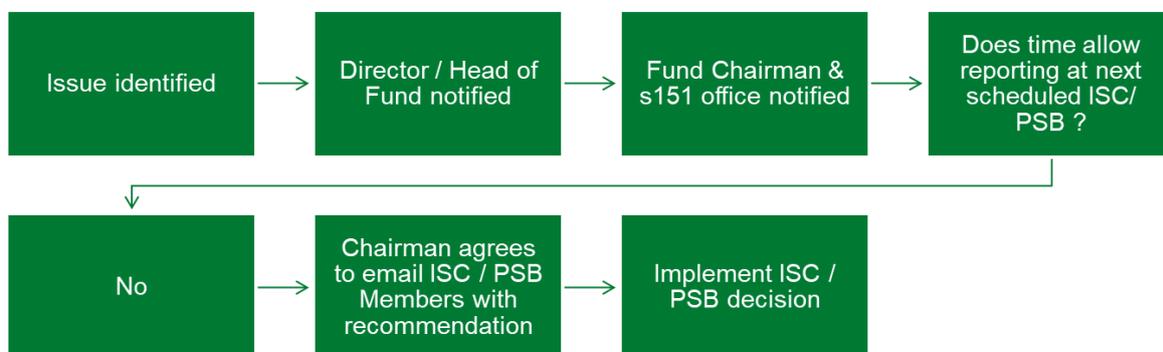
- 3.1 Essex County Council, as administering authority of the Essex Pension Fund (the Fund), is required under the Local Government Pension Scheme (LGPS) Regulations to prepare and publish a FSS and keep the statement under review; making appropriate revisions following any material change in its policy on the matters set out in either the FSS or investment strategy statement. In reviewing and making revisions to the statement, the authority must have regard to the guidance produced by the Chartered Institute of Public Finance & Accountancy and consult with relevant interested parties.
- 3.2 The current FSS was published in March 2017, following a review in conjunction with the triennial valuation of the Fund as at 31 March 2016. The strategy set out in the FSS has been kept under review in the years since its publication. In both December 2017 and July 2018, in the light of the Actuary's annual Interim Reviews, the PSB considered whether changes were required to the FSS. In December 2017 minor amendments were made with none being required in July 2018.
- 3.3 A further actuarial valuation of the Fund, as at 31 March 2019, is currently underway, with new employer contribution rates effective from 1 April 2020.

4. Draft 2019 FSS

- 4.1 As part of the 2019 Valuation process, the FSS will be reviewed by Officers. However, due to the valuation timetable, the draft FSS will not be ready for review by the Board at this meeting. Therefore, Members will be asked to consider and approve the draft FSS for issue for consultation out of committee.
- 4.2 Members can commence the decision-making process (stages 2 or 3) as detailed in the Fund's Governance Compliance Statement and below:
- Stage 2 - the process to be used when the Chairman agrees to convene a special ISC / PSB meeting:



- Stage 3 - The process when there is neither the time for the next scheduled meeting or to convene a special ISC /PSB meeting and the Chairman agrees to email ISC / PSB members with the recommendation:



4.3 Following consideration of responses to the consultation and matters emerging from the valuation as it progresses, a further draft will be brought to the March 2020 meeting of the Board.

4.4 The FSS should be completed and approved by the Board prior to completion of the Fund Valuation by 31 March 2020.

5. Future Actions

5.1 A timetable of the actions to complete the revision of the FSS and the Fund Valuation is summarised below:

Timescale	Action
September 2019	Funding Strategy timeline issued
October 2019	Draft Funding Strategy considered by PSB out of committee
November-December 2019	Issue draft FSS for consultation together with draft valuation results to remaining employers and any other consultees
October - December 2019	Employer Forums and meetings held to discuss valuation results
January 2020	Response deadline for employers and other consultees on FSS
February 2020	Review consultation responses and consider any further amendments required to the FSS
4 March 2020	Pension Strategy Board to consider and agree final FSS for subsequent publication
Mid-March 2020	Final FSS published
Mid to end March 2010	Final Valuation results issued to employers and other relevant bodies
April 2020	New employer contribution rates commence

6. Recommendations

- 6.1 That the Board agree which stage of the decision-making process they wish to utilise for the review of the FSS in draft for further consultation.

7. Link to Essex Pension Fund Objectives

- 7.1 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.
- 7.2 To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible.
- 7.3 To ensure consistency between the investment strategy and funding strategy.

8. Risk Implications

- 8.1 Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement.
- 8.2 Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions.
- 8.3 Demographic experience of Fund population is not in line with actuarial assumptions resulting in increases required in Employer contributions.
- 8.4 Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.
- 8.5 Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions.
- 8.6 Funding strategy is not aligned with Investment Strategy leading to adverse funding outcomes (over/under funding).
- 8.7 The adoption of a funding strategy that causes the Fund to fail any of the GAD s13 tests or be named in the GAD s13 report that causes reputational damage.

9. Communication Implications

- 9.1 Following Board approval, a consultation will take place with participating employers and other interested parties.

10. Finance and Resource Implications

- 10.1 None directly as a result of this report. It is a requirement to complete the actuarial valuation and to keep the FSS under review. Resources are planned accordingly.

11. Background Papers

- 11.1 The Local Government Pension Scheme (LGPS) Regulations 2013.
- 11.2 The National Audit Office's Code of Audit Practice.
- 11.3 2016 Funding Strategy Statement.

Essex Pension Fund

Essex County Council Pension Fund

Funding Strategy Statement

Contents

Page

1. Introduction	2
2. Purpose of FSS in policy terms	3
3. Funding objectives and purpose of the Fund	3
4. Responsibilities of the key parties	4
5. Solvency and target funding levels	5
6. Link to investment policy	11
7. Identification of risks and counter-measures	12
8. Monitoring and review	14
Schedule A - Risk analysis	16
Schedule B - Actuarial assumptions	21

This Statement has been prepared by Essex County Council (the Administering Authority) to set out the funding strategy for the Essex County Council Pension Fund (the Fund), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and the guidance paper issued in August 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:-
 - the guidance issued by CIPFA for this purpose;
 - the Statement of Investment Principles (SIP) / Investment Strategy Statement (ISS) for the Fund published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; and
 - the Public Services Pensions Act 2013 section 13
- The FSS must be revised and published whenever there is a material change in the policy on the matters set out in either the FSS or the SIP/ISS.

Benefits payable under the Local Government Pension Scheme (the Scheme) are guaranteed by statute and therefore the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme Regulations 2013). The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (principally Administration Regulation 62) which require that an actuarial valuation is completed every three years by the Actuary appointed by the Fund, including a rates and adjustments certificate. Contributions to the Fund should be set so as to “secure its solvency”, whilst the Actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The Actuary must have regard to the FSS in carrying out the valuation.

2. Purpose of the FSS in policy terms

Funding is defined as the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the Actuary.

The purpose of this FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the desirability of maintaining as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain with its focus at all times on those actions which are in the best long-term interests of the Fund.

3. Funding Objectives and purpose of the Fund

The funding objectives of the Fund are:

- within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the Funding Strategy Statement;
- to recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible;
- to manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives;
- to maintain liquidity in order to meet projected net cash-flow outgoings;
- to minimise unrecoverable debt on termination of employer participation; and
- to have consistency between the investment strategy and funding strategy ; and

- to maximise returns within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses,

as defined in the Local Government Pension Scheme Regulations 2013(as amended) the Local Government Pension Scheme and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4. Responsibilities of the key parties

Although a number of parties, including investment fund managers, investment advisers and external auditors, have responsibilities to the Fund, the key parties for the strategy are seen as the Administering Authority, each individual employer and the Fund Actuary.

The Administering Authority is required to:

- operate a pension fund;
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the LGPS Regulations;
- invest surplus monies in accordance with the LGPS Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the Fund Actuary;
- prepare and maintain an FSS and a Statement of Investment Principles (SIP) / Investment Strategy Statement (ISS), both after consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/SIP(ISS) when necessary;
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default; and
- effectively manage any potential conflicts of interests arising from its dual role as both fund administrator and scheme employer.

Each Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate in accordance with the LGPS regulations (Regulation 9);

- pay over all contributions, including their own as determined by the Fund Actuary, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;
- notify the Administering Authority promptly of all changes to active membership or, other changes proposed, which affect future funding; and
- complete year end procedures in a timely manner.

The Fund Actuary should:

- prepare valuations, including the setting of employers' contribution rates at a level to ensure solvency, after agreeing assumptions with the Administering Authority and having regard to the FSS and the LGPS Regulations;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs;
- provide advice and valuations on the termination of admission agreements;
- provide advice to the administering authority on bonds or other forms of security against the financial effect on the fund of employer default;
- assist the administering authority in assessing whether employer contributions need to be revised between valuations as required by the regulations; and
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

5. Solvency issues and target funding levels

To meet the requirements of the Administration Regulations the Administering Authority's long-term funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay. The actuarial assumptions to be used in the calculation of the funding target are set out in the Appendix.

Under Section 13(4) (c) of the Public Service Pensions Act 2013 The Government Actuary's Department (GAD) (as the person appointed by the responsible authority) must, following an actuarial valuation, report on whether the rate of employer contributions to the pension fund are set at an appropriate level to ensure the solvency of the pension fund and long term cost efficiency of the scheme so far as relating to the pension fund. Section 13 requires Funds to be compared with other Funds within the Scheme.

The key elements of the funding strategy include:

- the long-term aim is to achieve 100% funding of pension liabilities;
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term;
- to ensure the appropriate level of contributions are received to ensure solvency of the Fund;
- to minimise fluctuations in employers' contributions in order to assist them with their financial planning and to meet their financial responsibilities to the Fund where it is prudentially appropriate ;
- although the membership profile has matured slightly since the last valuation in 2013 the Fund can still take a long term perspective in setting the investment strategy;
- the Fund has a large number of employing bodies with different characteristics including size and strength of covenant.

The effective date of the current actuarial valuation of the Fund is 31 March 2016. The results of the valuation indicate that overall the assets of the Fund represented 89% of projected accrued liabilities at the valuation date.

The Administering Authority after due consideration of all of the information available to it including consultation with the Fund Actuary and other interested parties, has adopted the following objectives to achieve the funding target:

- set employers' contribution rates to achieve 100% funding of liabilities in the long term;
- employer contribution rates will be made up of two separate elements:
 - an ongoing rate, as a percentage of pensionable pay, to meet the costs of future service (payable no later than the 19th day of the month following the month of relevant payroll run); and
 - a deficit recovery contribution, expressed in most instances as a cash sum, to recover any shortfall revealed by the actuarial valuation (payable as detailed in this Funding Strategy Statement);
- where an employer has an ongoing funding level above 100%, and cessation is on a 'least risk basis' payment towards the cessation debt will commence.
- the Fund will for the purpose of administration, the calculation of contribution rates and for the setting of maximum deficit recovery periods, continue to deal with town and parish councils (T&PC) as a group.

- the Fund will set deficit recovery periods for the T&PC that as far as possible are likely to reduce the level of deficit during the inter-valuation period if all of the Actuary's assumptions prove correct.
- the administering authority may by written notice ('a suspension notice') to an exiting employer suspend that employer's liability to pay an exit payment for a period of up to 3 years subject to conditions in Local Government Pension Scheme regulation 64(2a-c)
- schools, including former grant maintained schools (but excluding Academies), will be treated as part of the local authority within whose area of responsibility they fall for the purpose of setting contribution rates and deficit recovery periods; any discretions in respect of these matters will fall to the local authority;
- from 1 April 2017 all Academies will be placed in a pool;
- in the event of an Academy conversion, the Fund Actuary will undertake a calculation of the assets and liabilities attributable to the preceding school(s). These assets and liabilities will then be migrated from the Local Authority to the Academy pool;
- we will set objective and maximum deficit recovery periods for the remaining employers
 - the agreed deficit recovery periods will be set at levels that safeguard the interests of the Fund by having regard to the Fund's judgement of the strength of covenant and the financial stability of individual employers;
 - individual employers will, at the discretion of the Fund and the Fund's Actuary, be able to increase their deficit recovery period up to the maximum deficit recovery period subject to providing assurance of greater strength of covenant and financial stability. (e.g. guarantor employer consent, provision of a bond, a deposit, a parent company guarantee or other surety);
 - where a deficit recovery period greater than that of "average future working life" was applied at the 2013 valuation; the starting point for the deficit recovery period to be applied at the 2016 valuation is three years less than that previously applied. The Fund may, at its discretion, allow this three year period to be reapplied.

Whilst a deficit exists, annual contributions will not normally be reduced. This may result in a shorter deficit recovery period than described above.

Objective and maximum deficit recovery periods for active employers (i.e. those employers with active members)

Category	Employer	Example	Objective	Maximum
A	Scheduled - major tax raising bodies	District Council, Fire Authority	2013 deficit recovery period less three years	27 years
C	Scheduled - other. 2	Further & Higher education corporations	average remaining working life	12 years
D	Scheduled - other. 1	Further & Higher education corporations providing evidence of financial security to the satisfaction of the Essex Pension Fund	2013 deficit recovery period less three years	24 years
F	Transferee admission	Contractor	contract length	contract length
G	Community admission .1	Voluntary, not for profit, charities, housing associations	average remaining working life	average remaining working life
H	Community admission . 2	Employer providing evidence of financial security to the satisfaction of the Essex Pension Fund	average remaining working life	12 years
Pooled employers			Maximum Recovery Period	
B	Scheduled - Academies	Academies		24 years
E	Resolution	Town / Parish Councils		24 years
<p>1. The draft maximum deficit recovery periods are designed, where appropriate, to stabilise the amount of deficit contributions payable. It is not designed to allow for a reduction in contributions.</p> <p>2. In addition, mitigations may be adopted to allow for affordability and stability of contributions as well as for transition to revised policies. These may include the stepped introduction of revised contribution rates.</p> <p>3. The provision of financial security for Category H employers could include the agreement and provision of a guarantee by a Category A employer.</p> <p>4. While a deficit exists, annual contributions will not generally be reduced. This may result in a shorter deficit recovery period than the Objective.</p> <p>5. Contributions generally will not be reduced below the future service rate.</p> <p>6. Contributions are subject to the certification of the Fund Actuary.</p>				

- The Town & Parish Council employers' contributions will be phased over the 3 year period 2017/18 to 2019/20.
- The 2017/18, 2018/19 and 2019/20 deficit amounts certified for each employer will reflect one of the following:

- i. the actuarially assessed value of the annual deficit paid in twelve equal instalments monthly in arrears with each payment being due by the 19th day of the following month; or
 - ii. the actuarially assessed value of the annual deficit paid in one lump sum payment prior to 30 April of the specified year; or
 - iii. the actuarially assessed value of i) or ii) for all three years paid in 36 or 3, respectively, equal instalments; or.
 - iv. the actuarially assessed value of paying the deficit for three years in one lump sum payment prior to 30 April 2017.
- Individual employers retain the freedom to
 - make a lump sum payment prior to 1 April 2017, following agreement with the administering authority. The annual deficit amounts certified for financial years 2017/18, 2018/19 and 2019/20 will reflect the actuarially assessed value of making this payment, either utilising the payment over the three years or over the deficit recovery period;
 - decide to repay their share of the deficit over a shorter period should they so choose; and
 - make additional payments to the Fund over and above the minimum employer contribution rates certified.

In determining the deficit recovery period(s) the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles;
- the need to balance a desire to attain the target as soon as possible against the major increases in the level of employers' contributions which a shorter period would require;
- section 13 of the Public Service Pensions Act 2013 to ensure employer contributions are set at an appropriate level to ensure the solvency of the Fund; and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Where a category A employer allows an early retirement, for any reason other than ill health, that produces a strain cost, payment of the strain cost may be met either in the form of an immediate lump sum to the Fund, or by payment over two years to the Fund including interest;

Where a category B-H employer allows an early retirement, for any reason other than ill health, that produces a strain cost, payment of the strain is to be met in the form of an immediate lump sum to the Fund.

Where an existing payment plan exists and the employer is ceasing full settlement will be required of any outstanding amounts before the final cessation date.

Levels of ill health will be monitored and will normally be reflected in assumptions at triennial valuations or sooner if deemed necessary

Employers that are able to and have closed the Scheme to new members, or have had no new members in the previous two years to 31 March 2016, will have their employer contribution rate assessed on a closed basis at the triennial valuation.

Where an employer is able to and closes the Scheme to new members, between valuations, the employer contribution rate may be reassessed on a closed basis and a revised certificate issued.

In preparation for the cessation of an employer's participation in the Scheme:

- the future service rate and deficit recovery contribution may be reviewed by the Fund Actuary and amended if required;
- all community admission bodies will be allowed flexibility to elect to adopt a funding approach prior to termination in line with the "least risk" exit debt basis, if that is their preference;
- where a community admission body has an ongoing funding level above 100% payment shall commence towards termination in line with the "least risk" exit basis;
- in certain circumstances, subject to satisfactory surety, a formal plan may be agreed between the Fund, the Fund Actuary and the Fund Employer, and if applicable the Transferor Scheme Employer to manage payment of deficit up to and beyond the termination date; and
- in the case of charities the Fund and the Fund Actuary will work to achieve the best approach available without any detrimental impact to the running of the charity, but ensuring an agreed payment plan is reached to recover any deficit – prudentially appropriate.

On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer would be due to the Scheme as a termination contribution, unless it was agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer would be transferred within the Scheme to another participating employer. The basis of the termination valuation will be determined in consultation with the Fund Actuary.

- In certain circumstances, subject to satisfactory surety, a formal payment plan may be agreed between the Fund, the Fund Actuary and the Fund Employer, and if applicable the Transferor Scheme Employer.
- All transferee admission bodies (i.e. “best value” contractors delivering services to scheme employers) will be accepted for admission into the Fund so long as all the necessary regulatory requirements for admission are satisfied, including those covering the assessment of the requirement for and provision of security to the satisfaction of the administering authority.
- In the case of a transferee admission body, or any participating employer acting as guarantor in the case of non-transferee admission bodies, implementation of an alternative funding basis or approach (including on termination) will be subject to agreement from the relevant guarantor body/scheme employer. Any special funding arrangements between the scheme employer and transferee admission body should be covered by the commercial arrangements, i.e. outside the Fund and not part of the admission agreement.
- Community admission bodies will be accepted for participation in the Fund, or otherwise, on a case by case consideration of the merits of admission and the associated risks to the Fund. In accordance, with regulatory requirements, a bond, indemnity, guarantee will be required for all community admission body cases, to the satisfaction of the administering authority.
- In the case where a contractor wishes to offer a broadly comparable scheme, rather than apply to become an admission body of the Fund, standardised bulk transfer terms will be offered via the Actuary’s Letter. The letter will be structured so as to target an asset transfer to the contractor’s Broadly Comparable scheme such that it is equivalent to 100% of the past service liabilities reserved for by the Fund in respect of the transferring members’ accrued service as at the date of transfer. The Fund will only agree to any variations in the standard in exceptional circumstances and with the prior agreement of the transferring scheme employer.

6. Link to investment policy

Funding and investment strategy are inextricably linked. The Investment Steering Committee (ISC) has been delegated with responsibility for investment strategy. The key investment objectives are “*to ensure the investment strategy is consistent with the funding objectives*” and “*to maximise investment returns within reasonable risk parameters*”. The ISC determines investment strategy after taking professional advice.

Investment Strategy

The investment strategy is set out in the Fund's Statement of Investment Principles. This is available from www.essexpensionfund.org.uk.

In setting the investment strategy the ISC takes account of both the current funding level and the relative maturity profile of the Fund (the relative proportion of liabilities in respect of active, deferred and pensioner members). The asset allocation determined by the ISC sets the proportion of assets to be invested in equities, bonds and alternative assets. The resulting structure reflects the ISC's views on the appropriate balance between maximising the long term return on investments and minimising risk. The strategy is set for the long term, but reviewed regularly.

The Fund's current investment strategy is as follows.

Equities			Bonds			Alternatives		
	Manager	Target %		Manager	Target %		Manager	Target %
UK	LGIM	5.0	Index-linked gilts	LGIM	2.0	Property	Aviva	12.0
Regional	LGIM	15.0	Active Cash plus	GSAM	5.5	Private equity	Hamilton Lane	4.0
	Marathon			M&G	5.5	Infrastructure	M&G	6.0
	M&G		-	-	-	Timber	Partners Group	2.0
Global	Longview	35.0	-	-	-	Loans	Stafford	0.5
	Baillie Gifford		-	-	-	Direct Lending	M&G	-2.5
	RAFI		-	-	-	-	Alcentra	-
Emerging	First State	5.0	-	-	-	-	-	-
Total		60.0	Total		13.0	Total		27.0

As part of the review of the Statement of Investment Principles, Investment Consultants Hymans Robertson conducted a review of the Fund's investment structure using their Asset Model (HRAM), the stochastic scenario generator developed by Hymans Robertson LLP, calibrated using market data as at 31 October 2014. The result was an expectation of a 6.4% p.a. return which rose to 7.2% with the inclusion of investment managers' outperformance.

Asset Split

The Fund does not account for each employer's assets separately. The Fund's Actuary is required to apportion the assets of the Fund between the employers at each valuation.

Consistency with Funding Basis

In the opinion of the Actuary, the current funding policy is consistent with the both investment strategy of the Fund, and the requirement to take a “prudent longer term view” of the funding of liabilities.

As at 31 March 2016 the discount rate used, in order to calculate the current value of future pension benefits payable is 5.1%.

7. Identification of risks and counter-measures

Awareness of the risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks.

The funding of defined benefits is by its nature uncertain. The funding strategy is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial valuation and beyond. This may require a subsequent contribution adjustment to bring the funding back into line with the target.

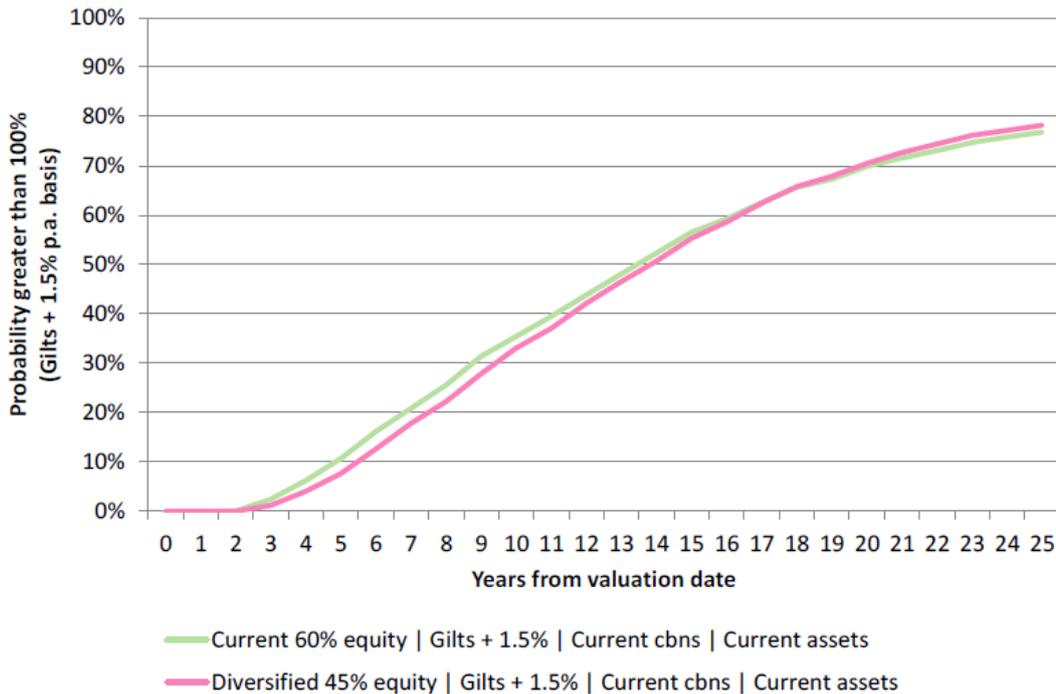
Impact of investment strategy

In autumn 2017 the Investment Steering Committee considered an Asset Liability Study (ALS).

In the chart below, the green line highlights the current investment strategy. The ALS indicates that there is a 50/50 chance that the Fund has recovered the current deficit by 2029. There is a c. 75% chance that the deficit will be eliminated by the end of 25 years under the current funding plan.

The pink line represents a revised strategy, with which the ISC has agreed in principle and to which the ISC expects to migrate over the next two years. This strategy reduces equity allocation from 60% to 45% with the majority of assets being reinvested in alternatives.

As can be seen, the probabilities of success remain broadly the same given alternatives are expected to generate broadly the same level of return as equity. However, this is expected to reduce risk through further diversification of the equity allocation.



The Administering Authority has itself undertaken an exercise to identify those risks that are specific to the Fund and the measures to be taken to counter those risks.

The resultant risk assessment is attached to this FSS as Schedule A

8. Monitoring and Review

In preparing this statement, the Administering Authority and the Essex Pension Fund Board has taken advice from Barnett Waddingham, the Fund Actuary, and has also consulted with its institutional investment advisers Hymans Robertson, and its independent investment adviser Mark Stevens.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions and/or deviation in the progress of the funding strategy;
- if there have been significant changes to Fund membership, or LGPS benefits;
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy; and
- if there have been any significant special contributions paid into the Fund.

**Essex Pension Fund
Risk Register**

UNDER REVIEW

Essex Pension Fund Risk Register

Risk Area: **Essex Pension Fund** Date: **05/09/2016**

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F1	Investment markets perform below actuarial assumptions resulting in reduced assets, reduced solvency levels and increased employer contributions	4	2	8	Use of a diversified portfolio which is regularly monitored against targets and reallocated appropriately. At each triennial valuation assess funding position and progress made to full funding. Full annual interim reviews to enable consideration of the position. A specific scorecard measure is in place on this matter.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F2	Markets move at variance with actuarial assumptions resulting in increases in deficits, reduced solvency levels and increased employer contributions	4	3	12	Annual interim reviews to enable consideration of the position and the continued appropriateness of the funding/investment strategies and to monitor the exposure to unrewarded risks.	3	3	9
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F3	Investment managers fail to achieve performance targets (i.e. ensure funding target assumptions are consistent with funding objectives) which reduces solvency levels and increases required in employers' contributions	3	3	9	Diversified investment structure and frequent monitoring against targets with potential for a change of managers where considered appropriate.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F4	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	3	3	9	Monitoring of mortality experience factors being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F5	Frequency of early retirements increases to levels in excess of the actuarial assumptions adopted resulting in increases required in employers' contributions	3	3	9	Employers required to pay capital sums to fund costs for non-ill health cases. Regular monitoring of early retirement (including on the grounds of ill health) experience being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis. Ensure that employers are made aware of consequences of their decisions and that they are financially responsible.	2	2	4

Essex Pension Fund Risk Register

Risk Area: **Essex Pension Fund**

Date: **05/09/2016**

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F6	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	4	3	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F7	Mismatch in asset returns and liability movements result in increased employer contributions	4	3	12	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.	3	2	6
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F8	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	3	2	6	At each triennial actuarial valuation an analysis is carried to ensure that the assumptions adopted are appropriate and monitor actual experience. Discussions with employers over expected progression of pay in the short and long term.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F9	Potential for significant increases in contributions to levels which are unaffordable. Ultimate risk is the possibility of the employers defaulting on their contributions	3	3	9	Risk profile analysis performed with a view on the strength of individual employer's covenant being formed when setting terms of admission agreement (including bonds) and in setting term of deficit recovery whilst attempting to keep employers' contributions as stable and affordable as possible. Pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F10	Adverse changes to LGPS regulations resulting in increases required in employers' contributions or Fund cash flow requirements.	4	2	8	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3

Essex Pension Fund Risk Register

Risk Area: **Essex Pension Fund**

Date: **05//09/2016**

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F11	Adverse changes to other legislation, tax rules, etc. resulting in increases required in employers' contributions	3	2	6	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F12	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning that the individual employer's contribution level becomes inappropriate requiring review and increase	3	3	9	Ensure that employers are reminded of their responsibilities, monitor and send reminders of employers responsibilities re this where appropriate, investigate the adoption of an administration strategy to clarify employer responsibilities. Employer analysis work and officer dialogue with employers concerned (including guarantors as appropriate)	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F13	Not recognising opportunities from changing market, economic or other circumstances (e.g. de-risking or strengthening of covenant)	3	3	9	At each triennial valuation pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F14	Adoption of either an inappropriately slow or rapid pace of funding in the specific circumstances for any particular employer	3	4	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F15	Failure to ensure appropriate transfer is paid to protect the solvency of the Fund and equivalent rights are acquired for transferring members in accordance with the regulations.	2	3	6	Follow the standardised approach to bulk transfers of liabilities as part of admission policy framework, complying with any statutory requirements and protecting the interests of the Fund's employers by measuring the solvency of the Fund and relevant employers before and after transfer.	2	1	2

Essex Pension Fund Risk Register

Risk Area: **Essex Pension Fund**

Date: **05//09/2016**

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	To have consistency between the investment strategy and funding strategy	F16	Over or under cautious determination of employer funding requirements due to the impact of the investment strategy on funding	3	3	9	Measurement will look at expected return projections vs actuarial assumptions in order to test the continued appropriateness and consistency between the funding and investment strategy.	2	2	4
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F17	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements	2	1	2
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F18	Unanticipated onset of cash-flow negative position, potentially requiring ad hoc repositioning of assets	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements. In Spring 2015 the ISC agreed to divert a portion of UK equity dividend income (L&G) & property rental income (AVIVA) to supplement contribution income in order to meet pension benefit expenditure.	2	1	2
Funding	Minimise unrecoverable debt on termination of employer participation	F19	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. In the absence of all of these, the shortfall will be attributed to the Fund as a whole with increases being required in all other employers' contributions	4	3	12	Assess the strength of individual employer's covenant and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible. Same mitigations for both risks F19 & F20	3	2	6

Essex Pension Fund Risk Register

Risk Area: **Essex Pension Fund**

Date: **05//09/2016**

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	Minimise unrecoverable debt on termination of employer participation	F20	Failure to monitor leading to inappropriate funding strategy and unrecovered debt on cessation of participation in the fund	4	3	12	Assess the strength of individual employer's covenant in conjunction with the Actuary and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible	3	2	6
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F21	Employee participation in the Essex LGPS reduces (possibly in response to changes in contribution rate / benefit structure or changes in patterns of service delivery)	4	3	12	Communications with both Employers and Employees over the benefits of the LGPS, both before and after any structural change. In July 2011, following discussion on liquidity and fund maturity, the ISC set a 27% limit on exposure to alternative assets.	3	2	6

Schedule B

Detailed assumptions used in calculating the funding target

The table below outlines the agreed financial and statistical assumptions as discussed at the meeting on 14 September 2016.

Financial assumptions		31 March 2016	31 March 2013
		% p.a.	% p.a.
Discount rate		5.1%	5.8%
Pay increases	Long-term	3.9%	4.5%
	Short-term	CPI for period from 31 March 2016 to 31 March 2020	In line with CPI for period from 31 March 2013 to 31 March 2015
Retail Price Inflation (RPI)		3.3%	3.5%
Consumer Price Inflation (CPI)		2.4%	2.7%
Pension increases		2.4%	2.7%

Demographic assumptions		31 March 2016	31 March 2013
Pre-retirement mortality - base table		GAD tables (updated)	GAD tables
Post-retirement mortality (member) - base table		S2PA tables with a multiplier of 105% for males and 100% for females	S1PA tables
Post-retirement mortality (dependant) - base table		S2PA tables with a multiplier of 100% for female dependants and 105% for male dependants	S1PA tables
Allowance for improvements in life expectancy		2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.
Promotional salary scale		GAD tables (updated)	GAD tables
Allowance for early retirements (ill health)		GAD tables (updated)	GAD tables
Allowance for withdrawals		GAD tables (updated)	GAD tables
Allowance for cash commutation		Members will commute pension at retirement to provide a lump sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	Members will commute pension at retirement to provide a lump sum of 60% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
Allowance for 50:50 membership		Based on members' current section	10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
Partner age difference		Males are three years older than their spouse and females are three years younger than their spouse	Males are three years older than their spouse and females are three years younger than their spouse
Proportion married		There is an 75%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits
Retirement age		For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

Results

Using these assumptions the results of the valuation for the Fund are as follows:

Past service funding position		Final basis
		31 March 2016
		£m
Smoothed asset value		4,993
Past service liabilities		
	Actives	1,855
	Deferred pensioners	1,088
	Pensioners	2,655
	Total	5,598
Surplus (Deficit)		(605)
Funding level		89%

Essex Pension Fund Strategy Board	PSB 04
Date: 11 September 2019	

Essex Pension Fund External audit results report 2018/19

Report by the Interim Director for Essex Pension Fund

Enquiries to Jody Evans on 03330 138489

1. Purpose of the Report

1.1 To present for information BDO 2018/19 Pension Fund Audit results report.

2. Recommendation

2.1 That the Board should note the report.

3. Background

- 3.1 The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the National Audit Officer (NAO) Code of Audit Practice.
- 3.2 The Code of Practice requires BDO to report to those formally charged with governance on the work they have carried out to discharge their statutory audit responsibilities. To this end the Audit, Governance and Standards Committee has ultimate responsibility for the governance of Essex County Council.
- 3.3 The Audit, Governance & Standards Committee considered BDO's report of the audit work that has been undertaken on the Pension Fund financial statements and annual report at its meeting on 29 July 2019.

4. Publication Timetable

- 4.1 For the 2018-19 financial year, the County Council and Pension Fund, were required to present its annual draft accounts for external audit by 31 May and publish its final audited and approved accounts by 31 July.
- 4.2 The Fund is also required to publish a separate Annual Report and Accounts by 1 December.

5. Accounts Closure & BDO External Audit results report

- 5.1 The Pension Fund successfully closed the accounts in accordance with the Funds year-end closure timetable and had a draft of the accounts ready by the middle of May and BDO commenced the External Audit on 3 June.
- 5.2 In July, BDO issued their Audit results report for the Pension Fund for the year ended 31 March 2019. This document is attached for Members' information.
- 5.3 The executive summary of the document (page4) contains the following comments:

“Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements for the year ended 31 March 2019 in line with the agreed timetable.

We anticipate issuing an unmodified audit opinion on the financial statements”.

5.4 No changes have been made to the main financial statements: the Fund Account and Net Asset Statement. However, some minor presentational amendments were made to a small number of financial statement accompanying notes.

6. Pension Fund Annual Report & Accounts 2018-19

6.1 A final draft of the Pension Fund Annual Report & Accounts will be submitted to the Chairman of the Board for approval. A copy of the approved Annual Report will then be uploaded to the Essex Pension Fund website.

7. Background Papers

7.1 The Local Government Pension Scheme (Administration) Regulations 2008.

7.2 The National Audit Office's Code of Audit Practice.



Report to the Audit, Governance and Standards Committee

ESSEX PENSION FUND

Audit Completion Report: Year ended 31 March 2019

CONTENTS

1	Introduction	3	7	Audit report	24
	Welcome	3		Overview	24
2	Executive summary	4	8	Independence and fees	25
	Overview	4		Independence	25
	The numbers	5		Fees	26
	Other matters	6	9	Appendices contents	27
3	Financial statements	7			
	Audit risks overview	7			
	Management override of controls	8			
	Valuation of Investments (Unquoted and Direct Property Investments)	9			
	Pension Liability Valuation	10			
	Valuation of Pooled Investments	13			
	Contributions Receivable	14			
	Classification of Financial Instruments (IFRS 9)	15			
	Other matters	16			
	Matters requiring additional consideration	17			
4	Audit differences	18			
	Unadjusted audit differences: summary	18			
	Unadjusted audit differences: detail	19			
	Unadjusted audit differences: detail (continued)	20			
5	Other reporting matters	21			
	Reporting on other information	21			
6	Control environment	22			
	Significant deficiencies	22			
	Other deficiencies	23			

WELCOME

Introduction

Contents

Introduction

Welcome

Executive summary

Financial statements

Audit differences

Other reporting matters

Control environment

Audit report

Independence and fees

Appendices contents

We have pleasure in presenting our Audit Completion Report to the Audit, Governance and Standards Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Audit, Governance and Standards Committee. At the completion stage of the audit it is essential that we engage with the Audit, Governance and Standards Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit, Governance and Standards Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Pension Fund for the co-operation and assistance provided during the audit.



David Eagles, Partner
For and on behalf of BDO LLP
18 July 2019



David Eagles
Partner

t: +44(0)1473 320728
m: +44(0)7967 203431
e: David.Eagles@bdo.co.uk



Nuwan Indika
Audit Manager

t: +44(0)1473 320807
m: +44(0)7966 243886
e: Nuwan.Indika@bdo.co.uk



Vusal Asgarov
Audit senior

t: +44(0)1473 320878
m: +44(0)7583 037138
e: Vusal.Asgarov@bdo.co.uk

OVERVIEW

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the results of the audit of the financial statements of the Pension Fund for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements for the year ended 31 March 2019 in line with the agreed timetable.

Outstanding matters are listed in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements.

THE NUMBERS

Executive summary

- Contents
- Introduction
- Executive summary**
- Overview
- The numbers
- Other matters
- Financial statements
- Audit differences
- Other reporting matters
- Control environment
- Audit report
- Independence and fees
- Appendices contents

Final materiality

Final materiality was determined based on 1% of net assets. Specific materiality (at a lower level) was set for the fund account balances and this was based on 5% of total contributions receivable.

Following receipt of the draft financial statements for audit we updated the materiality figures. This increased the materiality from £65m to £70m. Specific materiality for Fund Account was decreased from £13.8m to £12.0m.

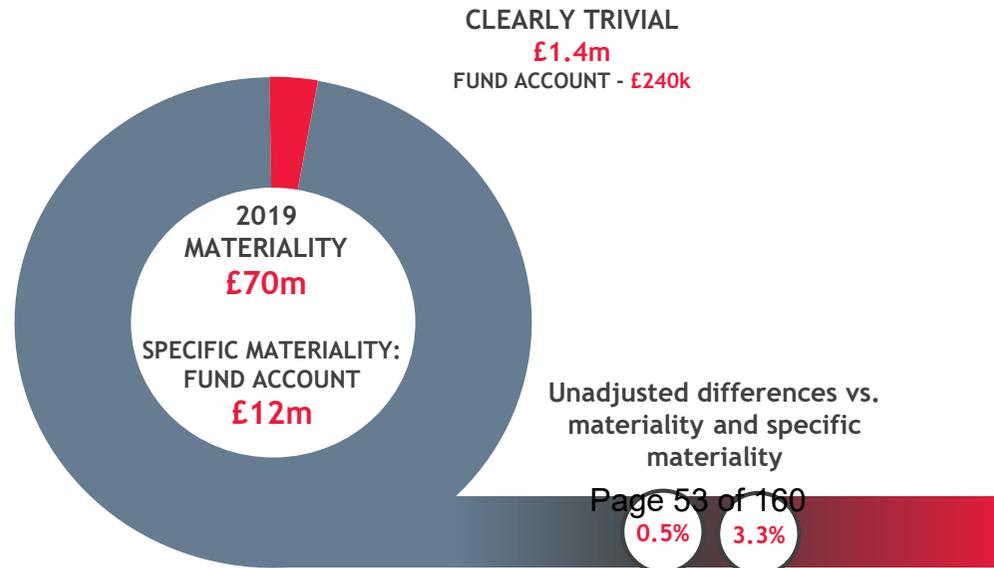
Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We identified one audit adjustment that, if posted, would increase the 'Net increase in the assets available for benefits during the year' in the Fund Account and increase 'Net assets of the scheme available to fund benefits' in the Net Asset Statement by £394k.

The above audit adjustment is below the overall triviality applied to the Net Assets Statement, but above the specific triviality applied to the Fund Account.



OTHER MATTERS

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Financial statements

Audit differences

Other reporting matters

Control environment

Audit report

Independence and fees

Appendices contents

Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- We are yet to receive the pension fund annual report. Upon receipt of the annual report we will read this to ensure that the information included in the annual report is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Pension Fund in accordance with the Financial Reporting Council's Ethical Standard.



AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 13 March 2019, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	No
Valuation of investments (unquoted and direct property investments)	Significant	Yes	No	Yes, unadjusted	No	No
Pension liability valuation	Significant	Yes	Yes	No	No	Yes - impact of GMP and McCloud on whole fund liability
Valuation of investments (pooled investments)	Normal	No	No	No	No	No
Contributions receivable	Normal	No	No	No	No	No
Classification of financial instruments (IFRS 9)	Normal	No	No	No	No	No

■ Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

ISA (UK) 240 - The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Determined key risk characteristics to filter the population of journals, using our IT team to assist with the journal extraction.
- Using our data analytics software BDO Advantage, reviewed and verified large and unusual journal entries made in the year and agreed the journals to supporting documentation.
- Reviewed accounting estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias.
- Reviewed for any significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual to obtain an understanding of the business rationale of any such transactions.
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results and conclusions

From the work completed we have identified no evidence of systematic bias or management override in the processing of journals entries and other adjustments, or making of significant accounting estimates.

We have not identified any unusual transactions or transactions that are outside the normal course of business for the Pension Fund.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Valuation of Investments (Unquoted and Direct Property Investments)
Pension Liability Valuation
Valuation of Pooled Investments
Contributions Receivable
Classification of Financial Instruments (IFRS 9)
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

VALUATION OF INVESTMENTS (UNQUOTED AND DIRECT PROPERTY INVESTMENTS)

There is a risk that unquoted and direct property investments are not appropriately valued in the financial statements.

Risk description

The investment portfolio includes unquoted private equity, debt, infrastructure and timberlands which are valued by the fund managers. The pension fund also makes direct investments in freehold and leasehold properties which are based on valuations received from the fund managers. The valuation of these assets may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to significance of these valuations, even a small change in assumptions and estimates could have a material impact on the financial statements.

In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. Due to current market volatility the valuation received can quickly become outdated.

As a result, we considered there to be a significant risk that investments are not appropriately valued in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and request copies of the audited financial statements (and member allocations) from the fund;
- Reviewed the valuation completed by the fund manager and any significant assumptions made in the valuation;
- Where the financial statement date supporting the valuation is not coterminous with the pension fund's year end, we confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Ensured investments have been correctly valued in accordance with the relevant accounting policies.

Results and conclusions

The direct confirmations obtained from fund managers identified that the valuation of private equity and property investments have overstated by non material amounts of £8.9m and £1.4m respectively. The investment valuations for timberlands and infrastructure have understated by £6.6m and £3.8m respectively. These variances are due to the fact that some investment reports used during the preparation of financial statements were not coterminous with the year-end date and therefore estimates were made. The net difference of the above misstatements along with other non material differences identified amounting to £0.4m, which was included within the uncorrected misstatements schedule for the impact of change in market value in the Fund Account.

For investments in private equity, illiquid debt, infrastructure and timberlands, we obtained audited financial statements of the underlying investee funds, and valuations were recalculated by adjusting the additional contributions and distributions where relevant. This identified that the valuation of private equity being overstated by an extrapolated value of £6.5m and investment in infrastructure being overstated by £1.8m. These amounts were offset by the understatement of valuations in investment in timber and illiquid debts by £6.5m and £1.6m respectively, giving a net difference of £0.2m. Therefore, we are satisfied that the valuation of unquoted investments in the Net Assets Statements is reasonable.

The direct investment properties held by the pension fund have been revalued by external professional valuers Knight Frank LLP. We are satisfied with the skills and expertise of the valuer and concluded that we can rely on the management expert. Overall valuation of investment properties has increased by approx. 3.5% during the year to £383m. Although, this is higher than the increase in MSCI sector capital value index by 1% during the year, overall movement in valuation is well within our materiality of £70m. We are therefore satisfied that the valuation of direct properties held by the Pension Fund is reasonable.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Valuation of Investments (Unquoted and Direct Property Investments)
Pension Liability Valuation
Valuation of Pooled Investments
Contributions Receivable
Classification of Financial Instruments (IFRS 9)
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY VALUATION

There is a risk that the membership data and cash flows provided to the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

An actuarial estimate of the pension fund liability to pay future pensions (referred to in the notes to the financial statements as the “actuarial present value of promised retirement benefits”) is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the 2016 triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

Following a ruling on gender discrimination on a Lloyds case, the courts found that UK defined benefit schemes must equalise Guaranteed Minimum Pensions (GMP). Actuaries estimate that this could result in an increase in pension liabilities by up to 0.5% (not material) but are not expected to include this in the 31 March 2019 valuation as Government has extended the ‘interim solution’ from December 2018 through to April 2021 to potentially fund this through an alternative long-term methodology known as ‘conversion’.

Following the ruling on age discrimination on the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme, Government will have to remedy the discrimination in the LGPS.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewed the controls for providing accurate membership data to the actuary; and
- Checked whether any significant changes in membership data have been communicated to the actuary.
- Discussed with the actuary how the impact of the GMP gender discrimination and McCloud age discrimination judgements have been taken into account in the liability assumptions at 31 March 2019.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Valuation of Investments (Unquoted and Direct Property Investments)
Pension Liability Valuation
Valuation of Pooled Investments
Contributions Receivable
Classification of Financial Instruments (IFRS 9)
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY VALUATION

Continued

(Continued)	
Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Results and conclusions

We have agreed the disclosures in Note 15 to the pension Fund financial statements to the information provided by the actuary and have identified no issues.

Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.

Our review of the controls to ensure data provided to the actuary for the roll forward valuation at 31 March 2019 is complete and accurate did not identify any issues. We identified differences in the cashflow information sent to the actuary as at month 11 plus one month estimates to the actual figures for the year, but we did not consider these to be significant differences that would materially impact on the liability valuation.

In respect of the McCloud judgement, the Pension Fund has requested an updated valuation of the whole fund liability to take account of the impact of this ruling. An updated actuary report was now received by the Pension Fund which shows the estimated impact on total liabilities as at 31 March 2019 from McCloud judgement to be £79.3m. This represents 0.8% of the total liabilities as at 31 March 2019. The Government Actuary Department (GAD) has undertaken an LGPS-wide impact assessment and a worse case scenario suggests that the liability could increase by up to 3.2% for active members where the fund has an average age of 46 and salaries increase at +1.5% above CPI. The estimate prepared by the actuary Barnett Waddingham has used the analysis prepared by GAD and is based on the assumption that salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. The assumptions used by the actuary in estimating the impact of McCloud judgement are considered to be reasonable and in line with the GAD review.

In respect of GMP gender equalisation, the Government's interim solution, originally in place from 2016 to 2018, has been extended to 2021 to find time to agree whether the LPGA or Government should fund these additional costs. Actuaries have not been treating these costs consistently on triennial and balance sheet valuations. We note that Barnett Waddingham has made an allowance for GMP costs in its calculation of fund liabilities and the actuary report states that the valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuary has assumed that the Fund will be required to pay the entire inflationary increase. These assumptions are considered to be reasonable and in line with our expected accounting treatment for additional liability.

PENSION LIABILITY VALUATION

Continued

Significant accounting estimates/judgements: pension liability

Overview

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows.

Changes in 2018/19 (before adjustments for McCloud)

The actuarial valuation of future benefits has increased from £9,447 million to £9,725 million.

Changes in assumptions that have increased the liability include an increase CPI and future pension increases (from 2.3% to 2.4%), increases in salaries (from 3.8% to 3.9%), and a reduction to the discount rate (from 2.55% to 2.4%). Mortality assumptions have reduced by approx. 1.3 years. This has resulted in a decrease in the liabilities from these actuarial assumptions of £543 million.

Discussion

The pension liability to pay future pensions has increased by £278 million to £9,725 million at 31 March 2019.

We compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary.

	Actual	Expected / range	Comments
RPI increase	3.4%	3.40% - 3.45%	Reasonable
CPI increase	2.4%	2.40% - 2.45%	Reasonable
Salary increase	3.9%	--	Reasonable (derived from RPI assumptions)
Pension increase	2.4%	2.40% - 2.45%	Reasonable
Discount rate	2.4%	2.35% - 2.45%	Reasonable
Mortality - LGPS:			
- Male current	21.3 years	22.2 - 25.0	Lower than bottom end of range
- Female current	23.6 years	25.0 - 26.6	Lower than bottom end of range
- Male retired	22.9 years	20.6 - 23.4	Reasonable
- Female retired	25.4 years	23.2 - 24.8	higher than top end of range
Commutation:			
- Pre 2008	50%	50%	Reasonable
- Post 2008	50%	50%	Reasonable

3 out of 4 mortality assumptions are outside the expected range based on national data. However, the actuary uses an analysis based on local data which takes into account postcode variations that confirms the mortality data used.

We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges. We have included specific representations that management confirm that the assumptions used reflect their understanding of the future expectations of the scheme.

Impact

< lower

higher >

VALUATION OF POOLED INVESTMENTS

There is a risk that unquoted and direct property investments are not appropriately valued in the financial statements.

Risk description

The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Custodian (Northern Trust). These valuations are reported on a quarterly basis although there may be amendments to the 'flash' valuations initially provided and subsequent final valuations that may be received after the draft accounts have been prepared.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers including any subsequent final valuations to 'flash' valuations in the draft accounts;
- Ensured that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

Results and conclusions

The investment valuations included in the financial statements for pooled investments were agreed to the valuations provided by the fund managers with trivial variances.

We obtained independent assurance reports for each fund manager and the custodian and these did not reveal any issues with the effectiveness of controls operated by fund managers and custodian for valuations and existence of underlying investments in the funds. The assurance report for one of the fund managers had a qualification in respect of change management and logical access controls. Whilst we have not identified any control issues affecting the valuation and existence of investments managed by the fund manager in question, we agreed investment managed by the fund manager to independent market prices and confirmed that the valuations are accurate.

Where the assurance reports obtained are not coterminous with pension fund year end we obtained bridging letters confirming the satisfactory operation of controls within the fund managers and the custodian.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Valuation of Investments (Unquoted and Direct Property Investments)
Pension Liability Valuation
Valuation of Pooled Investments
Contributions Receivable
Classification of Financial Instruments (IFRS 9)
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

CONTRIBUTIONS RECEIVABLE

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Valuation of Investments (Unquoted and Direct Property Investments)
Pension Liability Valuation
Valuation of Pooled Investments
Contributions Receivable
Classification of Financial Instruments (IFRS 9)
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly, paying over the full amount due to the pension fund.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and ensured that income is recognised in the correct accounting period where the employer is making payments in the following month; and
- Carried out audit procedures to review contributions income in accordance with the Actuary’s Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results and conclusions

We carried out analytical procedures to establish expected normal and deficit contributions to be receivable during the year. Our analytical procedures used the prior year amounts received and these were adjusted for the known and expected changes during the year such as the change in membership, contribution rates and the deficit contributions set out in the actuary report. This produced expected normal and deficit contributions which were within our tolerable threshold.

We also substantively tested normal contributions for active members by agreeing a sample of contributions to payroll records and to the employer returns received. For a sample of active members we recalculated the employee and employer contributions by the relevant rates and confirmed the accuracy of calculations. We identified no issues from the testing.

For deficit contributions, we agreed a sample to the Actuary’s report and identified no issues.

We also reviewed monthly contributions received from employers and ensured that these have been recognised in the correct financial year.

CLASSIFICATION OF FINANCIAL INSTRUMENTS (IFRS 9)

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Valuation of Investments (Unquoted and Direct Property Investments)
Pension Liability Valuation
Valuation of Pooled Investments
Contributions Receivable
Classification of Financial Instruments (IFRS 9)
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and receivables) and liabilities (principally payables) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.

The pension fund has short term receivables and will be required to calculate an expected credit loss on the receivables, rather than the previous model based on incurred losses.

There is a risk that financial instruments are not classified and measured in accordance with IFRS 9 and the new disclosures required by these new standards are omitted.

Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the pension fund to assess the impact of IFRS 9 on the financial statements; and
- Reviewed the disclosures required relating to the adoption of the new accounting standard.

Results and conclusions

As investment assets in the pension fund are already carried at fair value through profit and loss (FVTPL), this was not required a reclassification within the financial assets.

Some receivables carried at amortised cost would require an expected credit loss impairment (ELC) review. This is not required for contributions due from other local authorities and Government bodies as the Code states that these cannot have credit impairments. Therefore, this was impacted only on receivables for non-government admitted and scheduled bodies contributions due. We reviewed the working papers prepared by management and confirmed that the ECL model has been correctly applied and the impact is not material.

We are satisfied that the overall impact of IFRS 9 on the pension fund financial statements is not material. Sufficient level of disclosures has been given within the financial statements concerning the impact of IFRS 9.

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
<p>Accuracy of membership data:</p> <p>Our audit work identified that currently there are approximately 22,000 unconfirmed leavers whose status is to be confirmed as a leaver or deferred pensioner. The total number of unconfirmed leavers for the administering authority Essex County Council (ECC) is approximately 10,000. Within the membership disclosure note, these unconfirmed leavers have been included as deferred pensioners.</p> <p>Our membership data substantive testing identified 1 member who appeared to be unconfirmed leavers in the system, but the notification of leaving form has been received from the employer and a deferred benefit letter has been sent by the pension fund to the member. It was noted that even though the notification of leaving was received, the pension fund has queried some issues on the notification for which no responses had been received.</p>	<p>The Essex Pension Fund currently has approximately 169,000 members. The total number of unconfirmed leavers represents approximately 13% of the total membership and therefore constitutes a significant proportion.</p> <p>Form discussion with management we understand that unconfirmed leavers on the system is due to the pension fund waiting for information from the employer and/or from the member themselves, and therefore these leavers cannot be processed on the system. Unconfirmed leavers in respect of the County Council (ECC) is due to ECC being unable to send official leaver details automatically for approximately 4 years after they changed the payroll system. The ECC is now able to provide this information and are currently working through the backlog.</p> <p>From discussions with the actuary, we noted that the actuary does not obtain membership data from the pension fund for the roll forward valuations, but instead adjusts the membership data based on cash flow information. Within the year end data submission return the pension fund reports any significant movements in membership data, which typically arise from bulk transfers and major redundancy programmes. Therefore, the existence of unconfirmed leavers will have no significant impact on the calculation of pension figures as these leavers would have been reflected through the changes in cash flow data. We also expect that the actuary will adjust the membership data to reflect these leavers during the triennial valuation which is currently undergoing.</p> <p>Nevertheless we consider the above matter to be a significant matter to be reported to the Audit, Governance and Standards Committee.</p>

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Valuation of Investments (Unquoted and Direct Property Investments)
Pension Liability Valuation
Valuation of Pooled Investments
Contributions Receivable
Classification of Financial Instruments (IFRS 9)
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents

Introduction

Executive summary

Financial statements

Audit risks overview

Management override of controls

Valuation of Investments
(Unquoted and Direct Property
Investments)

Pension Liability Valuation

Valuation of Pooled Investments

Contributions Receivable

Classification of Financial
Instruments (IFRS 9)

Other matters

Matters requiring additional
consideration

Audit differences

Other reporting matters

Control environment

Audit report

Independence and fees

Appendices contents

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 25 March 2019.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities. We consider pension regulations to be the most relevant for your business.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Pension Fund's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.



UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents



We are required to bring to your attention unadjusted differences and we request that you correct them.

There is one unadjusted audit difference identified by our audit work which would increase the 'Net increase in the assets available for benefits during the year' in the Fund Account and increase 'Net assets of the scheme available to fund benefits' in the Net Asset Statement by £394k if adjusted.

The above audit adjustment is below the overall triviality applied to the Net Assets Statement of £1.4m, but above the specific triviality applied to the Fund Account of £240k.

You consider the differences to be immaterial in the context of the financial statements as a whole.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Fund Account			Net Assets Statement	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
Net increase in the assets available for benefits during the year	508,466				
1: The difference between the investment valuation per draft accounts and fund manager confirmations					
DR Investment - timber				6,560	
DR Investment - infrastructure				3,298	
DR Investment - private debt				1,122	
CR Investments - private equity					8,911
CR Investments - property					1,409
CR Investments - equity					266
CR Changes in market value of investments			394		
Total unadjusted audit differences	394		394	10,980	10,586
Net increase in the assets available for benefits during the year if above issues adjusted	508,860				

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

UNADJUSTED AUDIT DIFFERENCES: DETAIL (CONTINUED)

Details for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Other reporting matters
Control environment
Audit report
Independence and fees
Appendices contents

Impact on the Net Assets of the scheme available to fund benefits	Net Assets £'000
Balance before unadjusted audit differences	7,027,288
Adjustments identified above	394
Balance after unadjusted audit differences	7,027,682

REPORTING ON OTHER INFORMATION

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Reporting on other information
Control environment
Audit report
Independence and fees
Appendices contents

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Pension Fund Annual Report is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are yet to receive the pension fund Annual Report. Upon receipt of the Annual Report we will read this to ensure that the information included in the Annual Report is consistent with the financial statements and our knowledge acquired in the course of the audit.

SIGNIFICANT DEFICIENCIES

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Control environment
Significant deficiencies
Other deficiencies
Audit report
Independence and fees
Appendices contents

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit, Governance and Standards Committee.

As the purpose of the audit is for us to express an opinion on the Pension Fund's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have not identified any significant deficiencies.

OTHER DEFICIENCIES

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Control environment
Significant deficiencies
Other deficiencies
Audit report
Independence and fees
Appendices contents

Area	Observation & implication	Recommendation	Management response
Payment of lump sum retirement grant and transfers out	<p>Within our testing for payment of lump sum retirement grants we identified that currently the pension fund does not independently review and approve the retirement grant payment schedule forms.</p> <p>We also noted that the payment of cash equivalent transfer forms are also not subject to independent review and approval before the payments are made.</p> <p>Non authorisation of these forms could result in fraudulent payments being made.</p>	<p>We recommend that appropriate controls are designed and implemented to ensure that the payments made are subject to independent review and approval before the payments are made.</p>	<p>The UPM system used by the Pension Fund to make these payments follows a multi-step procedure which requires a separate processor and authoriser. We believe this audit comment stems from sight of the batch schedule after processing but prior to authorising. This UPM system captures and records a complete digital audit trail, and the Fund's approach to processing these payments was approved by internal audit and the Fund's previous external auditors.</p>

OVERVIEW

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Control environment
Audit report
Overview
Independence and fees
Appendices contents

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of ‘emphasis of matter’.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting of the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We are yet to receive the pension fund annual report. Upon receipt of the annual report we will read this to ensure that the information included in the annual report is consistent with the financial statements and our knowledge acquired in the course of the audit.

INDEPENDENCE

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Pension Fund.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Pension Fund.

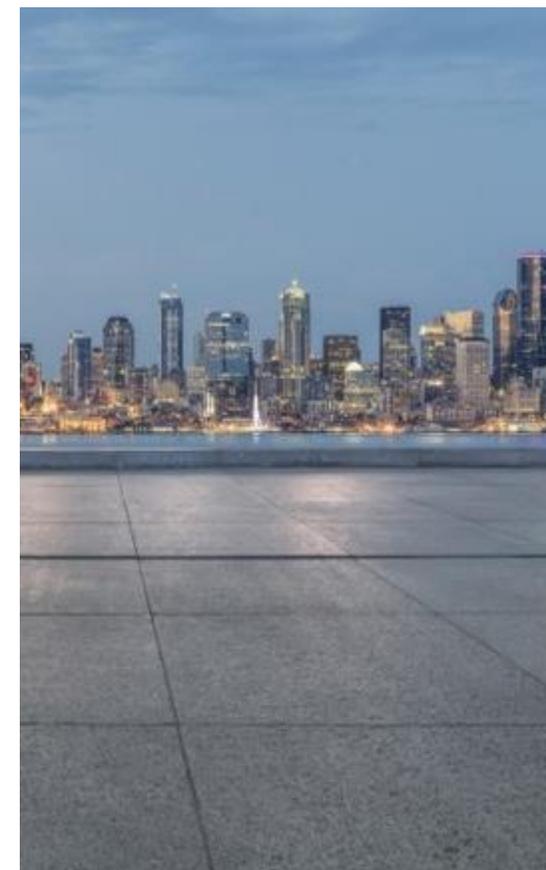
Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Fees summary	2018/19	2018/19	2017/18
	Actual	Planned	Actual
	£	£	£
Audit fee			
Code audit fee: financial statements	24,075	24,075	31,266
Other fees under PSAA arrangements			
Additional fee for IAS19 assurance requests from scheduled bodies	(1) 5,500	5,500	5,500
Total fees	29,575	29,575	36,766

(1) We anticipate charging an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS 19 assurance requests from scheduled bodies. This is consistent with the additional fee charged in 2017/18.



APPENDICES CONTENTS

A	Our responsibilities	28
	Responsibilities and reporting	28
	Additional matters we are required to report	29
	Communication and reports issued	30
B	Outstanding matters	31
	Outstanding matters	31
C	Audit quality	32
	Audit quality	32
D	Letter of representation	33
	Representative letter	33
	Representative letter 2	34

Representative letter 3	35
-------------------------	----

RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Outstanding matters
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the ‘other information’ contained in the Pension Fund Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

Contents

Appendices contents

Our responsibilities

Additional matters we are required to report

Communication and reports issued

Outstanding matters

Audit quality

Representative letter

Representative letter 2

Representative letter 3

COMMUNICATION AND REPORTS ISSUED

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Outstanding matters
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

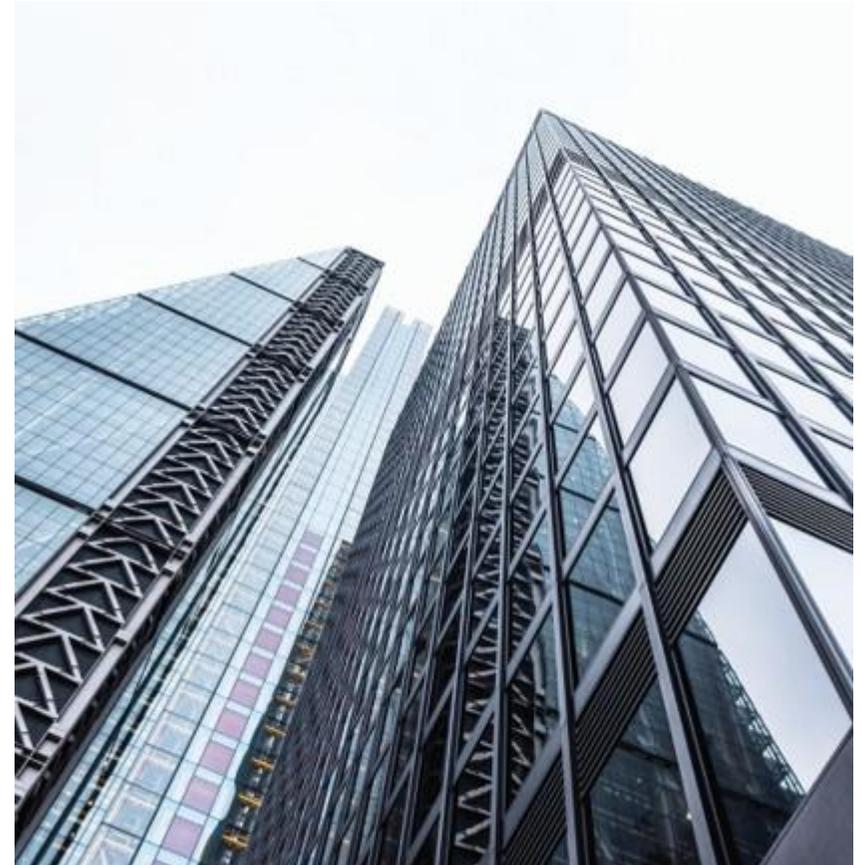
Communication	Date (to be) communicated	To whom
Audit Plan	13 March 2019	Audit, Governance and Standards Committee
Audit completion report	29 July 2019	Audit, Governance and Standards Committee

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2019.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit, Governance and Standards Committee meeting at which this report is considered:

- Receipt of bank confirmation letter for HSBC deposit account
- Receipt of the pension fund annual report from management and our review thereon.
- Completion of partner, manager and quality control review of the audit file and clearance of review points.
- Technical clearance
- Subsequent events review
- Management letter of representation, as attached in Appendix D to be approved and signed



Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Outstanding matters
Audit quality
Representative letter
Representative letter 2
Representative letter 3

AUDIT QUALITY

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Outstanding matters
Audit quality
Representative letter
Representative letter 2
Representative letter 3



BDO is totally committed to audit quality

It is a standing item on the agenda of BDO’s Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream’s objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council’s Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of Essex Pension Fund for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Pension Fund’s financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Executive Director for Corporate and Customer Services has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund’s financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Annual Report and Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 1 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund’s ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund’s business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisers. We confirm that we are not aware of any matters which have arisen that would require a report to The Pensions Regulator. There have been no communications with the Pensions Regulator or other regulatory bodies during the year or subsequently covering areas of non-compliance with any legal duty.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Outstanding matters
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 13 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- RPI increase 3.4%
- CPI increase 2.4%
- Salary increase 3.9%
- Pension increase 2.4%
- Discount rate 2.4%
- Mortality: Current pensioners - male 21.3 years and female 23.6 years / future pensioners - male 22.9 years and female 25.4 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 50%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19 and IAS 26.

Contents

Appendices contents

Our responsibilities

Additional matters we are required to report

Communication and reports issued

Outstanding matters

Audit quality

Representative letter

Representative letter 2

Representative letter 3

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Outstanding matters
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Margaret Lee

Executive Director for Corporate & Customer Services
S151 Officer, Essex CC & Essex Pension Fund

Date:

Cllr Terry Cutmore

Chairman of the Audit, Governance and Standards Committee

Date:



FOR MORE INFORMATION:

David Eagles
Partner

t: +44(0)1473 320728
m: +44(0)7967 203431
e: David.Eagles@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© 2019 BDO LLP. All rights reserved.

www.bdo.co.uk

Essex Pension Fund Strategy Board	PSB 05
Date: 11 September 2019	

Officer Changes within Essex Pension Fund

Report by the Interim Director for Essex Pension Fund

Enquiries to Jody Evans on 03330 138489

1. Purpose of the Report

- 1.1 To provide the Board with an update on the Officer changes within the Essex Pension Fund (EPF).

2. Recommendation

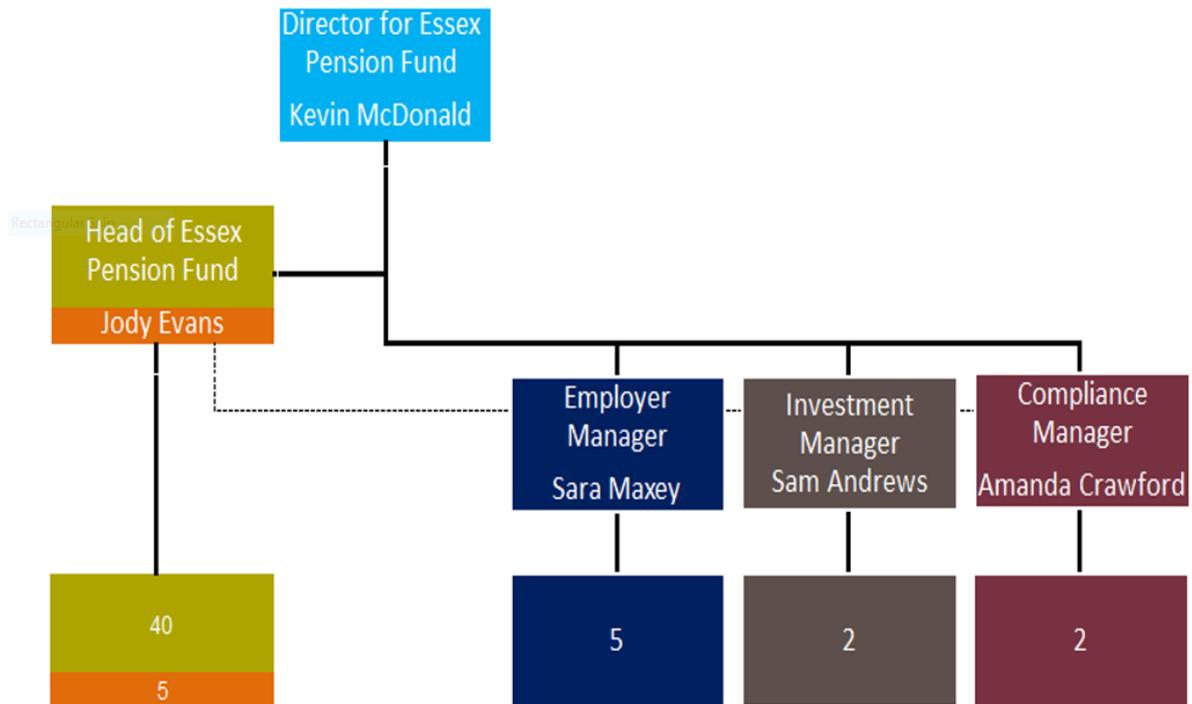
- 2.1 The Board should note the update.

3. Background

3.1 The Director for EPF, Kevin McDonald was offered a secondment position within the ACCESS Support Unit (ASU) and took up this role on 1 August 2019. Therefore, since that date, EPF, in consultation with Essex County Council (ECC), have put interim Management Team arrangements in place.

4. Interim arrangements explained

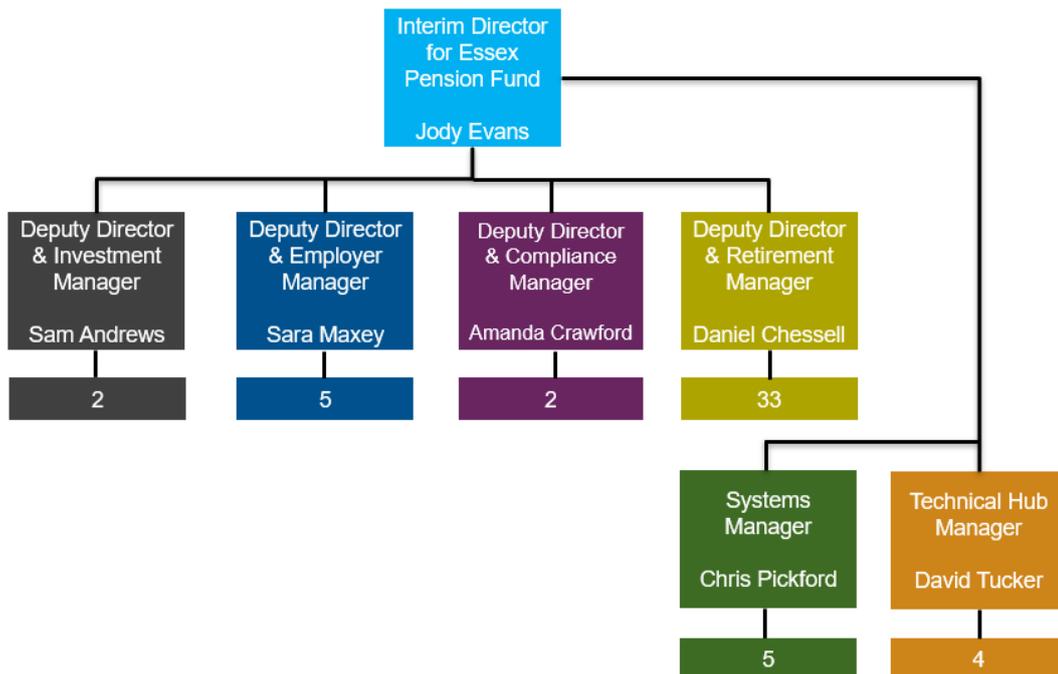
4.1 The current structure the Board are familiar with is illustrated below:



4.2 The interim arrangements have put Jody Evans, Head of EPF, as Director for EPF.

4.3 To support the Director in their new role, four members of staff have been uplifted to carry out the duties of the 'gapped' Head of EPF post and to deputise for the Director within their areas of responsibility. The interim Deputy Directors are: Samantha Andrews, Investment Manager; Sara Maxey, Employer Manager; Amanda Crawford, Compliance Manager; and Daniel Chessell, Retirement Manager.

4.4 The interim structure has been illustrated below:



4.6 The revised structure went live on 1 August 2019.

5. Risk Implications

5.1 Failure of Officers to maintain sufficient level of competence and/or resource to discharge their duties and inefficient retention of staff with over reliance on key officers.

6. Link to objectives

6.1 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise.

7. Communication Implications

7.1 None.

8. Finance and Resource Implications

8.1 Subsumed within the budgetary arrangements for EPF.

9. Background Papers

9.1 None.

Essex Pension Fund Advisory Board (PAB) Review

Joint report by the Compliance Manager and the Independent Governance & Administration Advisor (IGAA)

Enquiries to Amanda Crawford on 03330 321763

1. Purpose of the Report

1.1 To provide the Board with an update on the review of the PAB.

2. Recommendation

2.1 The Board should note:

- the update in relation to the PAB Review.

3. Background

- 3.1 During the December PSB meeting, the PSB agreed to review the PAB Membership. At their March meeting, the PSB agreed the timetable below:

Date	Action	Owner
March/April 2019	To establish PAB Members intensions and determine where Members appointments need to be renewed	Fund Officers
April/May 2019	To agree panel to determine and carry out appointment process	Chairman & Fund Officers
May – July 2019	Carry out appointment process and confirm appointments to PAB	Agreed panel

4. Other Scheme Employer Representative

- 4.1 Emails were issued to Other Scheme Employers (all fund employers other than the County, Borough, City, District & Unitary Councils) on 21 June 2019 to announce the vacant position available and to request for nominations by 5 July 2019. The incumbent was also notified.
- 4.2 Only one individual was nominated and therefore the process to elect via email voting was not necessary. The incumbent, James Durrant from Essex Fire, has therefore been re-appointed another 4-year term on the PAB.
- 4.3 Emails announcing this outcome were issued to Other Scheme Employers on 1 August 2019.

5. Scheme Member Representatives

- 5.1 Emails were issued to Scheme Employers on 21 June 2019 to announce the two vacant positions available. The incumbent of one of the positions was also notified.
- 5.2 Advertisements were also published via the ECC intranet site 'Your News' and the Essex Pension Fund website on the news page. In addition, posters were put up on noticeboards around County Hall and Employers were encouraged to do the same.
- 5.3 Four individuals applied for the two positions available. On review of the applications, the Fund's Officers and the Independent Governance &

Administration Advisor (IGAA) advised that all four candidates should be interviewed.

5.4 The interviews were held on 24 July 2019. The panel consisted of, Cllr Susan Barker, PSB & ISC Chairman, Karen McWilliam, IGAA, Jody Evans, Head of Essex Pension Fund and Amanda Crawford, Compliance Manager.

5.5 All candidates were scored using the same criteria covering:

- The role of the Board Member;
- Accountability to stakeholders and beneficiaries;
- Knowledge, skills and training;
- Risk Management;
- Personal Experience;
- Representing Members;
- General;
- Communication;
- Capacity; and
- Conflicts of interest.

5.6 Two out of the Four candidates scored the highest marks against the set criteria and therefore were offered a 4-year appointment on the PAB.

5.7 Letters were issued to the candidates offering the positions available on 1 August 2019. Unsuccessful candidates were also notified of the outcome on this date.

5.8 James Sheehy, Active Member from Witham Town Council and Stuart Roberts, Active Member from Shenfield High School, were offered and subsequently accepted their positions on the PAB and attended their initial training/induction on 23 August 2019.

5.9 The PAB will have their first meeting including the newly appointed membership on 25 September 2019.

6. Independent Chairman

6.1 The review of the Independent Chairman will commence on 30 September 2019.

7. Risk Implications

- 7.1 Without full membership of the PAB, the Fund are in breach of the Public Service Pensions Act 2013 and therefore are at risk of not fulfilling their duties as advisors to the Board.
- 7.2 A complete change in Board Membership would impact on the efficient and effective running of the Board.
- 7.3 Links to Risk Register include:
- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage; and
 - A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables.

8. Link to objectives

- 8.1 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.
- 8.2 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise.

9. Communication Implications

- 9.1 Other than ongoing reporting to the Board, there are no communication implications.

10. Finance and Resource Implications

- 10.1 The process will be carried out in the main by Fund Officers but there may be a requirement for advice from the Fund's IGAA.

11. Background Papers

- 11.1 PAB Vacancy paper provided to the PSB at its meeting held on 19 December 2018, agenda item 11.
- 11.2 19 December 2018 PSB Minutes.
- 11.3 Governance Compliance Statement & PAB review paper, PSB 06, 06 March 2019.
- 11.4 3 July 2019 PSB Pack, Agenda item 7.

Arrangements for Other Employing Bodies Representative

Report by the Compliance Manager

Enquiries to Amanda Crawford on: 0333 0321763

1. Purpose of the Report

- 1.1 To notify the Board of the upcoming vacancy on the Essex Pension Fund Strategy Board (PSB) for the Other Employing Bodies representative.

2. Recommendation

- 2.1 That the Board notes the report.

3. Election of Other Employing Bodies Representative

- 3.1 Officers were notified at its July 2019 meeting that the current Other Employing Bodies representative would be retiring during the summer of 2019. However, to ensure consistency throughout the valuation process, the current incumbent has agreed to continue their term of appointment to the Board whilst continuing temporary employment with their current employer.
- 3.2 Therefore, the position will become vacant after the 4 March 2020 PSB Meeting.
- 3.3 Officers will provide a paper to the Board at their next meeting to provide details for the recruitment of this position. In addition, if an Employer Forum is to be held, the Fund will announce this opportunity at said forum.

4. Link to Essex Pension Fund Objectives

- 4.1 Fulfilling the Other Employing Bodies representative vacancy on the PSB will assist in the Board in achieving the following Fund objectives:
- 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; and
 - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.

5. Risk Implications

- 5.1 Failure to include a representative of Other Employing Bodies in the Board's membership could result in:
- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss;
 - A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables; and

- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

6. Communication Implications

- 6.1 Other than ongoing reporting to the Board, there are no communication implications.

7. Finance and Resource Implications

- 7.1 Budgetary provision will need to be made for the payment of appropriate expenses to the Other Employing Bodies representative.

8. Background Papers

- 8.1 None.

Government Consultations

Report by the Technical Hub Manager

Enquiries to David Tucker on 033301 38493

1. Purpose of the Report

1.1 To share with the Board:

- the Fund's final response to a consultation launched by HM Treasury concerning 'Restricting exit payments in the public sector'; and
- the Fund's final response to the Ministry of Housing, Communities and Local Government (MHCLG) consultation concerning 'Changes to the Local Valuation Cycle and the Management of Employer Risk'.

2. Recommendations

2.1 It is recommended that the Board note:

- the Fund's final response to the consultation concerning 'Restricting exit payments in the public sector'; and
- the Fund's final response to the consultation concerning 'Changes to Local Valuation Cycle and the Management of Employer Risk'.

3. Background

Restricting exit payments in the public sector

3.1 At its 3 July meeting, the Board resolved:

- To agree minor amendments to be made to the draft response to the Restricting exit payments consultation;
 - under the section Level of the cap: amend paragraph 5 to include ‘as is now understood to be the case in regulations due to be implemented in Scotland’;
 - within the supporting information page, amend the title of the table to include ‘by £95k Cap’ and include another column to show the percentage profile of the affected employees; and
- once these changes had been made, the response was to be submitted.

3.2 The agreed changes were made, and the final Fund response was submitted on 3 July 2019; this is attached at Appendix A.

Changes to Local Valuation Cycle and the Management of Employer Risk

3.3 At its 3 July meeting, the Board were advised:

- of the detailed proposals and the key points of the consultation along with the initial views of Funds officers; and
- that the deadline for responses to the consultation was 31 July 2019; and
- that officers were in the process of developing the Fund’s response which would be shared with the Chairman prior to submission.

3.4 At its 3 July meeting, the Board resolved:

- to note the update in relation to the valuation cycle consultation.

3.5 The Fund’s final response was shared with the Chairman on 25 July and submitted to MHCLG the same day; this is attached at Appendix B.

4. Link to Essex Pension Fund Objectives

4.1 Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

5. Risk Implications

5.1 Regulatory risks impacting on Investments, Funding and Administration.

6. Background Papers

6.1 PSB 07 – 6 March 2019.

6.2 PSB 09 – 3 July 2019.

Essex Pension Fund

PO Box 11
County Hall
Chelmsford
Essex
CM1 1LX



Workforce, Pay & Pensions Team,
HM Treasury,
1 Horse Guards Road,
London
SW1A 2HQ

Date: 3 July 2019

Dear Sirs,

**Restricting exit payments in the public sector:
consultation on implementation of regulations**

The Essex Pension Fund welcomes the opportunity to comment on the proposals for implementation of an exit payment cap arrangement in the public sector. We are responding in our capacity as an Administering Authority within the Local Government Pension Scheme.

We have very serious concerns about the consequences of implementing the policy as set out in the consultation documents. If implemented as proposed, this will detrimentally impact on employers' ability to recruit, retain and motivate staff.

Bodies in scope

Firstly, we believe Local Authorities should be exempted bodies as they are outside the operational control of central government, are democratically accountable for their decision making, and exit decisions do not impact financially on the Treasury as they are met from within budgets set locally.

Whilst we appreciate the value for money considerations, it is our view that the draft regulations are a disproportionate and poorly designed solution to the issue that they purport to resolve. Essex County Council already has in place a strong internal governance framework and democratic oversight which ensures that all payments are an effective and legitimate use of public monies.

The Local Government Pension Scheme is funded through investments, and scheme employer and member contributions; it is not an unfunded scheme. Therefore, it is appropriate for Local Government bodies (and other organisations that are governed by locally elected members) to retain the ability to make local decisions that are in the best interests of local communities and the employer. Local Government bodies are locally accountable for their financial and other decision making and should therefore be outside the scope of this legislation.

Level of the cap

We strongly urge the government to give proper consideration as to the appropriate level of any cap rather than proceed based on an arbitrary figure.

We believe the employees likely to be affected by the proposed cap are much lower earning than the consultation suggests. The consultation document says, “The government does not believe that the majority of six figure exit payments.....are proportionate”. However, we strongly believe the opposite to be the case and that, therefore, the majority of six figure exit payments are proportionate as they predominantly reflect long service rather than high pay.

Essex County Council (ECC) assessed its workforce aged 55 or over and the cap, as proposed, would potentially affect nearly 3.5 times more employees (77%) earning less than £65k than employees earning over £65k (23%).

Bearing in mind that an LGPS member earning £65k is not a higher rate tax payer then this clearly shows the cap, as proposed, would have a far greater impact on employees who are not high earners, than those who are high earners.

It needs to be recognised that other factors such as the age of the employee and length of pensionable service, and not just salary, determine the cost to the employer of the pension strain. As such, including pension strain within the calculation of the exit cap will result in individuals who are of the same age and / or salary being impacted very differently. It will also, in some instances, create the perverse result of reducing the pension of moderate or low earners whereas individuals with higher salaries could be unaffected by the exit cap.

It is the view of the Fund that the pension strain should be omitted altogether – as is now understood to be the case in regulations due to be implemented in Scotland.

We strongly believe this shows there is a need for the government to consider the appropriate level of the cap and to set it at a level which impacts high earners and not long servicing moderate and low earners. This could be achieved, for example, by having a sliding scale of cap which relates to an employee’s length of service.

Draft regulations

There is some poor/unnecessary drafting in draft regulations 6(1)(g) and 7(g);

It seems both confusing and unnecessary to define “any payment in lieu of notice due under a contract of employment” as an exit payment only to then partially exempt it by including “a payment in lieu of notice due under a contract of employment that does not exceed one quarter of the relevant person’s salary” under payments exempt from restriction.

It would make more sense to add the wording “which exceeds one quarter of the relevant persons annual* salary” to the end of draft regulation 6(1)(g) so that it reads “any payment in lieu of notice due under a contract of employment which exceeds one quarter of the relevant persons annual salary”.

Draft regulation 7(g) can then be deleted.

*we have added the word “annual” before salary as we believe this is necessary because, although salary is often expressed as an annual sum, the dictionary definition does not specify it as such. We note this has been defined in the draft guidance but believe it is more important to be defined in the regulations.

Responses to questions not answered above

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Yes, we believe schedule 1 to the regulations captures the bodies described in section 2.1 but we reiterate our belief that local authorities should be exempted bodies as they are outside the operational control of central government, are democratically accountable for their decision making, and exit decisions do not impact financially on the Treasury as they are met from within budgets set locally.

Question 4

Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

No, the guidance is incomplete and needs further clarity in several areas.

With 3.2 of the guidance, concerning calculating the capped amount, there are several issues which require further consideration and guidance.

In the LGPS, the statutory regulations governing the scheme require automatic payment of unreduced pension benefits if a member is made redundant aged 55 or over, regardless of the amount of the pension top-up payment/financial strain required from the employer.

Substantial clarification on the impact of the cap on the Local Government Pension Scheme is needed in order to make these Regulations workable. In particular there is no clarity on the application of the cap in a way which provides a fair choice for the member between a reduced pension and the cash alternative referred to in the draft Regulations. Changes to the scheme regulations would be necessary and those changes would have to be legislated for before the introduction of the cap.

Also, more thought needs to be given to how the pension top-up payment/financial strain is calculated or valued for the purposes of the cap. There needs to be a level playing field across the public sector which would require an agreed single method of calculating the financial strain payment, or value, for the purposes of the cap.

There would be an added complexity with the LGPS because individual Fund actuaries may determine the amount of a pension top-up payment/financial strain needed to be paid into the fund by an employer, so the payment required could differ from fund to fund for the same benefits. To ensure fairness to individuals, and avoid a postcode lottery, the pension top-up payment/financial strain used for the purposes of the exit payment cap should be calculated using a common agreed method even if this differs from the actual payment required.

The Fund is particularly concerned about the proposal for the cap and associated provisions to come into force the day after the Regulations are made. Given the need for the draft Regulations to be clarified and amended this provides far too little time for employers to change their policies, communications and potentially offers to individuals exiting over this period. There are a substantial number of issues to be addressed before determining what exit payment can legitimately be paid to an individual once these Regulations come into force. Employers will need to procure advice from legal advisers, administering authorities and others before they are in a position to proceed with making exit payments. The discretionary exemption for

agreements to exit made before the coming into force of the Regulations does not address this issue, as the parties to the agreement cannot be sure that the discretion will be exercised so as to allow the payment.

Local Government has, arguably, shouldered the biggest share of the austerity burden and continues to plan further transitions in line with HM Government's objectives. To have to put these on hold, and potentially withdraw plans and offers that have been made in order to ensure compliance with Regulations that have not been in a state to be anticipated will be a major challenge for employers and a notable cost. We strongly urge government to allow employers a reasonable period for implementation after the Regulations are made AND the necessary consequential changes to other Regulations (most notably the Local Government Pension Scheme Regulations) have been introduced. Presuming these changes to the LGPS are introduced promptly after these Regulations pass through Parliament, we believe nine months would be an appropriate period. Any delay to changes to the LGPS, however, will necessitate more time.

Question 5

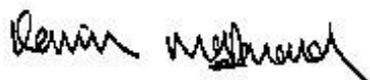
Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistle-blowers?

No, we believe further clarity is needed on several points and the whole process extremely bureaucratic.

We have significant reservations regarding the complexity of these Regulations and the cumbersome approval processes outlined in these consultation documents for the application of exemptions.

At its most extreme, business cases appear to need approval from full council, the permanent secretary at MHCLG, a Minister of the Crown and HM Treasury. This would be time consuming, costly and is overly bureaucratic. We cannot see how this is feasible let alone an efficient and appropriate approach.

Yours sincerely.



Kevin McDonald

Director for Essex Pension Fund
Essex Pension Fund
Corporate & Customer Services
Essex County Council



Highly Commended

LGPS Fund of the Year
(assets over £2.5 billion)

www.lapfinvestmentsawards.com



Supporting information

The following information was provided by ECC and has been used for the figures in the 3rd paragraph in the 'Level of the cap' section of the Fund's draft response, i.e. "Essex County Council (ECC) assessed its workforce aged 55 or over and the cap, as proposed, would potentially affect nearly 3.5 times more employees earning less than £65k than employees earning over £65k.";

The table below shows the scenario whereby the existing workforce over 55 were made redundant on 31/03/19 and the number of ECC employees impacted if the £95K cap had been in place.

Salary Ranges of those impacted by £95k cap

(calculations include Pension Strain)

Salary Range	No. of employees affected	Percentage profile
£30,000 to £38,000	5	5%
£38,001 to £50,000	32	34%
£50,001 to £65,000	36	38%
£65,001 to £81,000	11	12%
£81,001 to £170,000	10	11%

LGF Reform and Pensions Team
Ministry of Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Your Ref:
Date: 25 July 2019

Dear Sirs,

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk Policy consultation

The Essex Pension Fund welcomes the opportunity to comment on the proposals for changes to the LGPS local fund valuation cycle, flexibility on exit payments, further policy changes to exit credits and policy changes to employers required to offer LGPS membership. We are responding in our capacity as an Administering Authority within the Local Government Pension Scheme.

Changes to the Local Valuation Cycle

The fund does not agree with the proposal to move local LGPS fund valuations to a four-year cycle; apart from synchronising the LGPS valuation timescale with those of other (unfunded) pension schemes, there appears little justification for this move.

The consultation paper claims that “Moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates” however most, if not all, LGPS Funds currently use a form a stabilisation, particularly in relation to tax raising bodies. Setting employer contribution rates every four years instead of every three years would make it harder, not easier, to maintain stable contribution rates.

We believe the paper’s claim that the change would reduce costs is both marginal in the long term and, if migration were based on the “3 years, then 2 years, then 4 years” approach, would actually increase costs in the short term because more cycles equals higher actuarial and officer time costs. Even if the 5 year transition option was used it is likely that most, if not all funds, would need to undertake an interim valuation; meaning more cycles and again leading to increased costs in the short term.

The consultation document says, “now is the best opportunity to achieve consistency”. However, there are no other consistencies between the unfunded schemes, which have a single valuation of liabilities only and set one single employer rate, and the LGPS (E&W) which has 88 valuations of both liabilities and

/...

assets and set the individual employer rates and deficit contributions for around 15,000 separate employers. We would question whether it is necessary or desirable to pursue this one consistency?

We do not believe that the proposals would achieve the stated aims of delivering greater stability in employer contribution rates and reduce costs and the rationale for this change is, therefore, weak.

A range of further provisions are proposed to mitigate the impact of the proposed change, including the ability of Funds to:

- a) conduct interim valuations (within the four-year cycle) including the review of employer contributions;
- b) have flexibility in relation to the termination payments required from exiting & deferred employers; and
- c) take account of employer risk exposure in relation to exit credits.

The Essex Pension Fund's existing approach already adopts aspects of what is proposed in a) & b). The proposal c) arises out of unintended consequences of previous regulations when applied to "pass through" contribution arrangements when local authorities outsource services.

Flexibility on exit payments and deferred employers

The fund supports the spreading of exit payments provided the administering authority is satisfied that this provides the best method of reducing risk to other employers.

Any SAB guidance covering deferred employer status must ensure that other scheme employers are protected from the risk of such employers defaulting and that all scheme stakeholders are fully aware of the extent and nature of such arrangements.

Exit credits under the LGPS Regulations 2013

The fund supports the changes to allow fund actuaries to take side agreements into account for exit credits. However, regulations must be carefully drafted to ensure administering authorities are not dragged into contractual disputes between contracting authorities and service providers.

Employers required to offer LGPS membership

With regards to the proposal that the requirement for further education, higher education and sixth form colleges to offer new employees access to the LGPS is removed. Flexibility to determine this locally may be welcomed, however universal stakeholder consensus is unlikely.

The fund is concerned about the potential impact on future cash flows and scheme membership profiles which could result from this proposal and impact on remaining employers. The fund would wish to see detailed impact analysis before committing to a view on this proposal.

/...

The fund is aware of the SAB's Tier 3 project which was commissioned to investigate, report and make proposals on issues such as the status of higher and further education establishments and suggests it may be advisable to wait for the outcome of that project before progressing this proposal.

Yours sincerely

David R Tucker

David Tucker
Technical Hub Manager

Telephone: 01245 431912

Fax: 033301 33966

Internet: www.essexpensionfund.co.uk

E-Mail: pensionenquiries@essex.gov.uk

Office Hours: Monday to Thursday 8.30am to 5.30pm,
Friday 8.30am to 5.00pm

Update on Pension Fund Activity

Report by the Compliance Manager

Enquiries to Amanda Crawford 03330 321763

1. Purpose of the Report

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

- 2019/20 business plan;
- Risk Management; and
- Scorecard.

2. Recommendations

2.1 That the Board notes:

- progress against the 2019/20 business plan;
- the current risks within the risk register with a residual score of six or above; and
- the latest scorecard measures.

3. Background

3.1 The following documents accompany this report:

- an update on the 2019/20 business plan at Annex A;
- risks from the Risk Register with a residual score of six or above are detailed at Annex B; and
- 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:

- Actuarial Valuation (PSB 03);
- PAB Review (PSB 06);
- Quarterly report from Investment Steering Committee (PSB 10);
- Pooling update (PSB 16).

5. Business Plan 2019/20

5.1 Of the 12 objectives for 2019/20:

- 1 (8%) not started;
- 11 (92%) in progress; and
- 0 (0%) have been completed.

6. Risk Register

6.1 As at end June 2019, there were 46 risks in the Fund's risk register of which 21 had a residual score of six or more (amber), and 1 had a residual score of 12 (red) and are shown at Annex B.

6.2 The red risk has been flagged due to the outcome of the McCloud case and the impact this may have on the administration within the Fund.

7. Scorecard

7.1 The scorecard is shown at Annex C.

- 7.2 Measure 1.2.1 has declined since the last quarter showing PSB training achieving 83% against a target of 90%. However, the training strategy is currently being reviewed by the Independent Governance & Administration Advisor (IGAA).
- 7.3 Measure 1.4.4 is still shown as red due to the vacancies within the PAB between 1 April and 30 June 2019. PSB paper 06 within this pack provides the outcome of the recruitment to fill the vacancies.
- 7.4 Measure 1.5.4 has declined since the last quarter showing 2% of Fund risks having a residual score of red and is detailed at Annex B of this report.

8. Review of Business Plan

- 8.1 Fund Officers and the IGAA are in the process of reviewing the Business Plan. A Business Planning event was held on 10 September 2019 with Officers and Advisors to start populating the new Business Plan template that was approved by the PSB at their March 2019 meeting.
- 8.2 A further update on progress will be reported at the next PSB meeting.

9. Review of Scorecard

- 9.1 Fund Officers are working with the IGAA to build a new scorecard. Meetings continue throughout the next quarter to continue the creation of revised targets and measures.

10. Link to Essex Pension Fund Objectives

- 10.1 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.

11. Risk Implications

- 11.1 Key risks are identified at Annex B.

12. Communication Implications

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

13. Finance and Resources Implications

13.1 The business plan for 2019/20 is under review by the Fund in consultation with the IGAA.

14. Background Papers

14.1 PSB 05, 6 March 2019 PSB Agenda Pack.

Essex Pension Fund Business Plan 2019/20

Governance

Objectives:

- 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.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
1. Further roll out of training and training needs assessments	Further roll out of training and training needs assessments; training & training needs assessments will continue in 2019/20; and a revised training strategy and training plan is to be developed	Fund officers / IGAA	In progress: Training has been revised within the Fund and Officers are completing their training as agreed with their Line Managers. Training for the Boards is in the process of being reviewed in addition to a revised training strategy.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
2. Annual review of governance policy	<p>Annual review of governance policy;</p> <p>review governance policy to ensure it is relevant and up to date, including the governance compliance statement; and</p> <p>ToRs for all Boards/Committee to be reviewed.</p>	DfEPF, HoEPF & IGAA	<p>In progress:</p> <p>Governance policy is being reviewed in line with revised TORs. TORs were approved by PSB at their July 2019 meeting.</p>
3. Annual review of Pension Fund Board	<p>Annual review of Pension Fund Board;</p> <p>review of Pension Fund Board membership; and</p> <p>review the effectiveness of the Pension Fund Board and the services supplied to it.</p>	DfEPF, HoEPF & IGAA	<p>In progress:</p> <p>Officers and the IGAA undertook a review of the PAB and have revised their membership inline with the revised TOR.</p>

Investments

Objectives:

- 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.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
4. Review of asset allocation	Review of asset allocation; Review of asset allocation as part of the strategy & structure deliberations at the ISC strategy meetings.	DfEPF	In progress: This is being reviewed as part of the ISS.
5. Implement any review of investment allocation arrangement.	Implement any review of investment allocation arrangement; and implement the any decisions taken by the ISC strategy in light of the Asset Liability Study.	DfEPF	In progress: This is being reviewed as part of the ISS.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
6. Review the Investment Strategy Statement (ISS)	Review the Investment Strategy Statement (ISS).	DfEPF	In Progress: Officers are in the process of reviewing the ISS.
7. Respond to the requirements of LGPS structural reform process	Respond to the requirements of LGPS structural reform process; developments in relation to LGPS structural reform will be monitored; and this will remain in the business plan until transition of assets is complete.	DfEPF	In Progress: This is continually monitored by Officers.

Funding

Objectives

- 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.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
8. Actuarial Valuation as at 31 March 2019	Actuarial Valuation as at 31 March 2019; an actuarial valuation will be commissioned from the Fund Actuary; and the various processes of the Valuation will take place throughout 2019/20.	HoEPF & DfEPF	In progress: Actuarial valuation is under way in consultation with the Funds actuary.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
9. Review Funding Strategy Statement	Review Funding Strategy Statement as part of 2019/20 actuarial valuation process.	HoEPF & DfEPF	Not started: This will commence on the outcome of the actuarial valuation.

Administration

Objectives:

- 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.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
10. Implementation of UPM (administration system)	Ongoing phased implementation of UPM (administration system); and ongoing phased implementation will continue through 2019/20	HoEPF	In progress: To date 39,500 individual scheme members have been invited to use “ <i>Member online</i> ” of whom 11,500 have registered. 221 Employers have registered and are using “ <i>Employer online</i> ”. Officers on the Systems Team are exploring “ <i>Retire online</i> ”.

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
11. Confirmation of GMP (Guaranteed Minimum Pension) entitlement	confirmation of GMP entitlement; confirming the GMP (Guaranteed Minimum Pension) element of all scheme members'; and will remain ongoing until the project is completed.	HoEPF	In progress: This project is still ongoing. The Team are reviewing the last few spreadsheets.

Communications

Objectives:

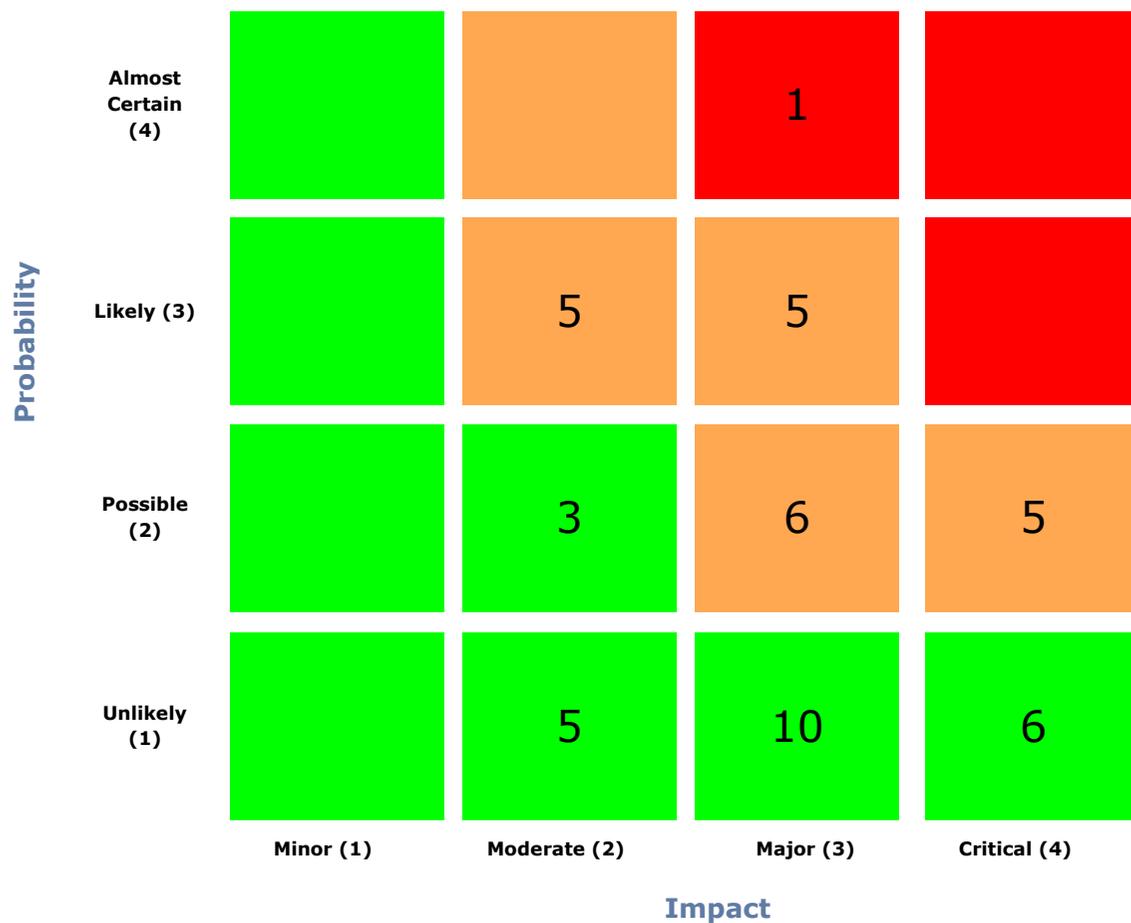
- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.
- Ensure our communications are simple, relevant and have impact.
- Deliver information in a way that suits all types of stakeholder.
- Aim for full appreciation of the pension scheme benefits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

Action	How will this be achieved?	Officer managing action*	Progress as at end June 2019
12. Monitor Communications Policy	Monitoring of the Communications Policy; and the communications policy will be reviewed during 2019/20.	HoEPF	In Progress: Officers are in the progress of reviewing the communications policy.

*Officer Managing Action: DoEPF - Director for Essex Pension Fund; HoEPF - Head of Essex Pension Fund; and IGAA - Independent Governance & Administration Adviser.

Heatmap (Current Rating)

Essex Pension Fund



Detailed Risk Information

Current Rating	Risk Ref	Risk Details	Risk Owner	Controls/Mitigations
12	G14	<p>Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> - Academisation of Schools, the possibility of MAT breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk; - Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have; - SCAPE rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions; - Increased centralisation of the LGPS and HMT taking all the assets / structural change; - GMP equalisation resulting in potentially additional costs and/or administration: - National Pensions Dashboard resulting in major changes to data provision; - Separation of the Fund from the Administering Authority; - Government intervention in Fund asset allocation decisions. 	Sara Maxey	<ol style="list-style-type: none"> 1. Regular communications with schools to understand their intentions. 2. EPF and their Advisors are actively involved in the development of the LGPS. 3. EPF monitor the current and new regulations and correspondence from MHCLG and LGA. 4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds. 5. EPF utilise the expertise of their Independent Administration and Governance Advisor (IGAA).
9	G3	<p>A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables</p>	Amanda Crawford	<ol style="list-style-type: none"> 1. Training Plan is in place. 2. PSB/ISC/PAB Members have to complete CIPFA modules 1-8 on a two-year cycle. 3. Immediate induction training for new members. 4. Training plan is reviewed/adapted to reflect changes within LGPS. 5. EPF use advisors i.e. IGAA to provide relevant information and recommendations. 6. Progress made against training plan is recorded and monitored. 7. Mechanisms are in place to recruit vacancies as they arise.
9	F2	<p>Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions</p>	Sara Maxey	<ol style="list-style-type: none"> 1. Longevity analysis is conducted by the Actuary at each valuation.

Current Rating	Risk Ref	Risk Details	Risk Owner	Controls/Mitigations
9	F6	"Failure to: - recognise a weakening (strengthening) in an employer's covenant; - lack of, or inaccurate, information about an employer; leads to an inappropriate funding approach in respect of that employer"	Sara Maxey	<ol style="list-style-type: none"> 1. EPF monitors and send reminders of employer's responsibilities. 2. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis. 3. A risk analysis is conducted at each triennial valuation. 4. Use of bonds and guarantees. 5. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.
9	F9	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee leads to unrecoverable debt and residual liability falls on remaining employers.	Sara Maxey	<ol style="list-style-type: none"> 1. New employers joining the Fund are required to meet the Funds expectations, covenant, security and guarantee as set out in the Funding Strategy. 2. Existing employers are required to meet the Funding Strategy and Actuarial Valuation obligations. 3. Monitoring of bonds and ongoing monitoring of Employer covenant.
9	I1	The total Fund Investment return does not meet expectations which could lead to underfunding.	Samantha Andrews	<ol style="list-style-type: none"> 1. EPF Investment Strategy is reviewed and monitored on a regular basis. 2. Monitoring of: investment manager performance; market conditions. Performance of both assets and liabilities is monitored periodically.
8	G8	Failure to effectively manage contracts for the supply of services to the Pension Fund leads to reputational damage and financial loss.	Amanda Crawford	<ol style="list-style-type: none"> 1. EPF monitor all contracts via performance measures and contract fulfilment checks.
8	G10	New risks are not identified or risk register is not kept up to date	Amanda Crawford	<ol style="list-style-type: none"> 1. Risk is part of BAU and is discussed at monthly EPF MT meetings. 2. Director for EPF and Head of EPF formally review risks each quarter. 3. Changed risks and key risks are reported to the PSB at each meeting. 4. Key risks are reported to ECC via JCAD on a quarterly basis. 5. This is recorded and monitored.
8	G11	Inadequate, inaccurate or misrepresented management information leads to financial loss or reputational damage	Amanda Crawford	<ol style="list-style-type: none"> 1. A risk register is in place. 2. A Scorecard is developed from KPI's and Business Plan objectives. 3. Progress in their achievement is reported to the PSB at each meeting. 4. This is recorded and monitored.

Current Rating	Risk Ref	Risk Details	Risk Owner	Controls/Mitigations
8	A6	Failure to comply with GDPR and keep data secure, leading to reputational issues or legal/financial penalties	Jody Evans	<ol style="list-style-type: none"> 1. EPF conduct a System back-up to protect against data loss. 2. EPF ensure data encryption and password protection. 3. Continuous staff training on data protection/GDPR. 4. All information security breaches are reported and any systematic issues identified and corrected. 5. EPF ensure use of file transfer protocol.
8	A7	Unable to meet statutory requirements due to poor employer data	Sara Maxey	<ol style="list-style-type: none"> 1. Administration Strategy is in place which confirms responsibilities, details points of contact with reference to the website for further information, timescales etc. 2. Administration Strategy is reviewed on a regular basis in consultation with Employers where changes are made. 3. EPF communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes. 4. FPF conducts Annual Return data cleansing.
6	G6	Insufficient time and focus taken to look for opportunities	Jody Evans	<ol style="list-style-type: none"> 1. Management Team regularly attend appropriate conferences/events/forums. 2. Advisors keep EPF team up-to-date on opportunities.
6	G9	Failure to undertake business as usual service due to events outside of EPF control resulting in loss of service provision	Amanda Crawford	<ol style="list-style-type: none"> 1. EPF Business Continuity Plan (BCP) in place. 2. EPF BCP regularly tested including call cascades and desk-top exercises. 3. Testing is recorded and monitored. 4. ECC also exercise their BCP which includes EPF.
6	F1	Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement	Sara Maxey	<ol style="list-style-type: none"> 1. At each triennial valuation, assess funding position and progress made to full funding. 2. Full annual interim reviews to enable consideration of the position. 3. A specific Scorecard measure is in place on this matter. Current measure 4.3.2 - % of contributing employers submitting timely payments. 4. Work with Employers to ensure they understand their responsibilities. 5. Year-end reconciliation of Member data.
6	F4	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	Sara Maxey	<ol style="list-style-type: none"> 1. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis. 2. A risk analysis is conducted at each triennial valuation by the Funds Actuary. 3. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.

Current Rating	Risk Ref	Risk Details	Risk Owner	Controls/Mitigations
6	F5	Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	Sara Maxey	<ol style="list-style-type: none"> 1. EPF carries out an analysis at each triennial actuarial valuation to ensure that the assumptions adopted are appropriate and monitor actual experience. 2. Discussions with employers over affordability and pay policy are held. 3. Discretions Policy to control discretionary costs.
6	F7	Funding strategy is not aligned with Investment Strategy leading to adverse funding outcomes (over/under funding)	Sara Maxey	<ol style="list-style-type: none"> 1. The Asset Liability Study is undertaken on a triennial basis. 2. The Funding Strategy and Investment Strategy are reviewed and monitored on a regular basis. 3. The Funding Strategy is aligned with the Investment Strategy.
6	F10	The adoption of a funding strategy that causes the Fund to fail any of the GAD s13 tests or be named in the GAD s13 report that causes reputational damage.	Sara Maxey	<ol style="list-style-type: none"> 1. In consultation with the Actuary, EPF determine an appropriate funding strategy that meets s13 requirements.
6	I2	Investment Managers and/or ACCESS Operator underperform or do not have appropriate benchmarks leading to lower investment returns	Samantha Andrews	<ol style="list-style-type: none"> 1. The performance of Investment Managers and/or ACCESS Operator is subject to regular review.
6	I4	<p>"Delays in:</p> <ul style="list-style-type: none"> - implementation of decisions; - availability of suitable solutions within the Pool; <p>which reduces the effectiveness of the decision which could lead to loss of potential return"</p>	Samantha Andrews	<ol style="list-style-type: none"> 1. EPF works proactively with Investment Advisors, ACCESS Pool and Investment Managers to scope, propose and implement viable revisions to the Investment Strategy.
6	I5	Failure of 3rd party service providers to maintain obligations in respect of investments leading to potential loss of return or liquidity, or ability to access or control investment.	Samantha Andrews	<ol style="list-style-type: none"> 1. AAF0106 Annual Control Reviews are carried out. 2. Within the Pool environment the Depository has liability for safekeeping of Pool investments. 3. ASU Contract Manager ensures adherence to the Operator Agreement by the 11 ACCESS Funds and LINK. 4. Formal procurement procedures are being used for all 3rd party suppliers. 5. EPF ensure these arrangements are kept under review. 6. Fund's assets are not included on Custodian's Balance Sheet. Separate Designated Accounted for each mandate.

Current Rating	Risk Ref	Risk Details	Risk Owner	Controls/Mitigations
6	A1	<p>" Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none"> - lack of regulatory clarity; - system issues; - insufficient resources." 	Jody Evans	<ol style="list-style-type: none"> 1. EPF ensure the System complies with the latest regulatory requirements through: <ul style="list-style-type: none"> - Technical Hub help to translate regulations and ensure new systems meet regulatory requirements; - Robust testing for system changes - Linking to knowledge and information from software supplier and other LGPS clients using the same administration software. 2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources. 3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.

Essex Pension Fund Scorecard - April to June 2019

1. GOVERNANCE	2. INVESTMENTS
<p>1.1 - Provide a high quality service whilst maintaining value for money</p>	<p>2.1 - Maximise returns from investments within reasonable risk parameters</p>
<p>1.2 - Ensure the Pension Fund is managed by people who have the appropriate knowledge and expertise</p>	<p>2.2 - Ensure the Pension Fund is properly managed (ISC attendance, skills and governance arrangements)</p>
<p>1.3 - Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times. Continually measure and monitor success against our objectives.</p>	<p>2.3 - Ensure investment issues are communicated appropriately to the Fund's stakeholders</p>
<p>1.4 - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based</p>	
<p>1.5 - Understand and monitor risk and compliance</p>	

3. FUNDING	4. ADMINISTRATION
<p>3.1 - Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters and Funding Strategy timescales</p>	<p>4.1A - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.</p>
<p>3.2 - To recognise in drawing up its Funding Strategy, the desirability of employer contributions that are as stable as possible</p>	<p>4.1Q - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.</p>
<p>3.3 - To have consistency between Investment and Funding strategies</p>	<p>4.2 - Data is protected to ensure security and authorised use only</p>
<p>3.4 - To manage employers liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives.</p>	<p>4.3 - Ensure proper administration of financial affairs</p>
<p>3.5 - Maintain liquidity in order to meet projected net cash flow outgoings</p>	<p>4.4 - Compliance with Fund's governance arrangements</p>
<p>3.6 - Minimise unrecoverable debt on termination of employer participation</p>	

5. COMMUNICATIONS	Key
<p>5.1 - Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.</p>	<p>G = on or exceeding target</p> <p>A = missing target but within agreed tolerance</p> <p>R = missing target by more than agreed tolerance</p> <p>Gy = data not currently available / work in progress</p>
<p>5.2 - Ensure our communications are simple, relevant and have impact and deliver information in a way that suits all types of stakeholder.</p>	
<p>5.3 - Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members and employers.</p>	

1.1 - Provide a high quality service whilst maintaining value for money

Measure Purpose: To provide a high quality service whilst maintaining value for money

Scope: Cost, scheme member satisfaction and scheme member complaints and compliments

Measure Owner: Jody Evans

Data lead: David Tucker, Kelly Armstrong and Amanda Crawford

Status	Value		Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.1.1 Cost per scheme member	2nd	quartile		G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Dec)
1.1.2 Number of scheme member complaints	2			G	G	5 or under	20 or under	Low	Quarterly
1.1.3 Number of scheme member compliments	16			G	G	15 or more	60 or more	High	Quarterly
1.1.4 Scheme member survey - % of positive answers	96.7%	%		G	G	95%	95%	High	Annual (Mar)
1.1.5 Employer survey - % of positive answers	94.7%	%		G	A	95%	95%	High	Annual (Mar)

Rationale for performance status and trend

1.1.1. Cost per member was £16.41 in 2017/18 compared to the CIPFA Benchmarking average of £21.85.

1.1.2. The number of complaints received in the 3 months to 30 June 2019 was 2.

1.1.3. The number of compliments received in the 3 months to 30 June 2019 was 16.

1.1.4. In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey (122 in April 2017). 34 negative responses were received from a total of 1034 individual answers resulting in a 96.7% positive response rate. The previous survey was 99.8%. The Fund will carry out an extensive review of the questions asked in preparation for the 2019/20 Survey.

1.1.5. In November 2018 an Employer Survey was issued to 654 Employers (496 in 2017) who were invited to participate. 51 Employers responses were received (154 in June 2017). 17 negative responses were received from a total of 320 individual answers resulting in a 94.7% positive response. The previous survey result for positive answers was 96.6%. The Fund will be reviewing the way in which the survey is communicated and will carry out an extensive review of the questions asked in preparation for the 2019/20 Survey.

1.2 - Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise

Measure Purpose: To ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise

Scope: Training needs analysis, attendance of training. Progress against training plans and My Performance objectives.

Measure Owner: Kevin McDonald

Data lead: Amanda Crawford

Status	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity	Frequency
1.2.1 Members training	83%		G	A	90%	90%	High	Quarterly
1.2.2 Board Member attendance at Board meetings	0%	%	A	G	0%	80%	High	Quarterly
1.2.3 Officer training plans and Supporting Success objectives in place	100%	%	G	G	100%	100%	High	Ongoing

Rationale for performance status and trend

1.2.1 In the measurement period Board Members' training credits equated to 83%. The training strategy is under review in consultation with the Fund's Independent Governance & Administration Advisor (IGAA).

1.2.2 During the 1st Quarter there were no PSB meetings.

1.2.3. Yearly plans are in place for all staff working on the Essex Pension Fund whilst a replacement for supporting success is being rolled out by ECC. The Compliance Team have introduced a spreadsheet to monitor and record all Officer training.

1.3 - Evolve and look for new opportunities, ensuring efficiency at all times

Measure Purpose: To evolve and look for new opportunities, ensuring efficiency at all times

Scope: Actions listed in Business Plan

Measure Owner: Kevin McDonald & Jody Evans

Data lead: Kevin McDonald & Jody Evans

Status	Value	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.3.1 Fund Business Plan quarterly review - actions on track	0% complete 92% in progress	A	A	30% Complete, 50% in progress	100% complete	High	Quarterly

Rationale for performance status and trend

1.3.1 Against a total of 12 (reduced from 21) objectives or projects for the year:

0 (0%) has been completed;
11 (92%) were in progress end June 2019;
1 (8%) not started.

The business plan is detailed in Annex A of this report.

1.4 - Act with integrity and be accountable to our stakeholders

Measure Purpose: To act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based

Scope: Formal complaints against Board Members relating to their role as member of the PSB or ISC, with reference to Essex County Council's Code of Conduct. Formal complaints are those made to Standards Committee. The same complaint may be referred onto the Local Government Ombudsman or a third party may seek judicial review. Measure also includes annual review of key decisions and accountability and contract management measures currently in development

Measure Owner: Kevin McDonald

Data lead: Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Polarity	Frequency
1.4.1 Number of complaints made	0		G	G	0	Low	On-going
1.4.2 Number of complaints upheld	0		G	G	0	Low	On-going
1.4.3 The Pension Strategy Board has provision for representatives of employers and scheme members. Appointees are currently in place.	Yes		G	G	Yes	High	Quarterly
1.4.4 The Pension Advisory Board has provision for representatives of both employers and scheme members. Appointees are currently in place.	No		R	R	Yes	High	Quarterly

Rationale for performance status and trend

1.4.1 Reflects performance over the last 12 months.

1.4.2 Reflects performance over the last 12 months.

1.4.3 There are no current vacancies on the PSB.
Yes = green; No = red.

1.4.4 During the reporting period, there was one vacancy on the PAB with two further positions to being re-advertised based on the end date of their 4-year term of appointment. Interviews for this position were held on 24 July 2019. A paper notifying the Board of the outcome is a separate agenda item within this pack.
Yes = green; No = red.

1.5 - Understand and monitor risk and compliance

Measure Purpose: Understand and monitor risk and compliance

Scope: On-going reporting and discussion of key risks to the Fund. Output from internal audit reviews.

Measure Owner: Kevin McDonald & Jody Evans

Data lead: Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.5.1 Number of internal audit reviews finding limited/no assurance	0		G	G	0	0	Low	Annual
1.5.2 Number of internal audit recommendations outstanding	0		G	G	0	N/A	Low	On-going
1.5.3 Percentage of risks on the risk register with a residual score that is classified as amber	46	%	R	R	<20%	<20%	High	Quarterly
1.5.4 Percentage of risks on the risk register with a residual score that is classified as red	2	%	G	R	0%	0%	High	Quarterly
1.5.5 Number of matters raised by external auditors relating to the Essex Pension Fund	0		G	G	0	N/A	Low	Annually (Sep)

Rationale for performance status and trend

1.5.1 This includes the 2018/19 internal audit reports that were reported to the PSB at the 3 July 2019 PSB meeting. Good assurance (green) was rated with 0 recommendations made.

1.5.2 The 2018/19 internal audit reports made no recommendations for implementation.

1.5.3 The Fund currently has 46 risks in its register, of which 21 have a residual score that is classified as amber. Full details are at Annex B to this report. Measurement: below 20% = green; between 20%-25% = amber; above 25% = red

1.5.4 The Fund currently has 46 risks in its register, 1 of which has a residual score that is classified as red. Full details are at Annex B to this report. Measurement: 0% = green; above 0% = red

1.5.5 There were no significant recommendations for Members to note in the 2018/19 Annual Results Report from BDO which is a separate agenda item within this pack.

2.1 - Maximise returns from investments within reasonable risk parameters

Data as at: 31 March 2019

Measure Purpose: To maximise the returns from investments within reasonable risk parameters

Scope: All investments made by Pensions Fund: asset returns, liquidity and volatility risk

Measure Owner: Kevin McDonald

Data lead: Samantha Andrews

Status	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity
2.1.1 Annual return compared to Peer Group	8.5	1st	G	G	1st	1st	High
2.1.2 Annual Return compared to Benchmark	8.5	%	G	G	5.6%	5.6%	High
2.1.3 Five year (annualised) return compared to Benchmark	10.5	%	G	G	8.2%	8.2%	High
2.1.4 Five year (annualised) return compared to central expected return of current investment strategy	10.5	%	G	G	6.4%	6.4%	High
2.1.5 Five year (annualised) return compared to central expected return of current investment strategy including manager outperformance	10.5	%	G	G	7.2%	7.2%	High

Rationale for performance status and trend

2.1.1. The Essex Pension Fund with 8.5% was ranked 1st out of 6 of the peer group which consists of Kent, Suffolk, Norfolk, Cambridgeshire and Northamptonshire. The lowest return within the group was 6.0%. The Pirc Local Authority Universe for the same period was 6.0%.

2.1.2 The annual return of 8.5% was above the benchmark of 5.6%.

2.1.3 The five year return of 10.5% was above the benchmark of 8.2%.

2.1.4 The five year return of 10.5% was above the central expected return of the current investment strategy.

2.1.5 The five year return of 10.5% was above the expected return of the current investment strategy including investment manager outperformance.

2.2 - Ensure the Fund is properly managed

Measure Purpose: To ensure that the Fund is properly managed

Scope: Attendance at ISC and ISC member skills and knowledge

Measure Owner: Kevin McDonald

Data lead: Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
2.2.1 ISC Member attendance at ISC meetings	89	%	G	G	80%	80%	High	Quarterly
2.2.2 ISC Members training	90	%	G	G	90%	90%	High	Quarterly

Rationale for performance status and trend

2.2.1 . This represents attendance at ISC meetings between 1 April and 30 June 2019. It includes Appointment Sub Committees and new member induction sessions. This was reported as 94% in the last quarter.

2.2.2 In the measurement period, ISC Members' training credits met the 90% target.

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

Measure Purpose: To ensure all significant Fund investment issues are communicated properly to all interested parties

Scope: Publication of meeting minutes and agendas, communication governance arrangements agreed by Board and ISC

Measure Owner: Kevin McDonald

Data lead: Amanda Crawford & Samantha Andrews

Status	Value	Units	Previous status	Current status	Target	Annual target	Frequency
2.3.1 % of ISC agendas sent out 5 working days before meetings	100	%	G	G	100%	High	Quarterly
2.3.2 % of ISC committee items sent out 5 working days before meetings	100	%	G	G	100%	High	Quarterly
2.3.3 % of draft ISC minutes sent out 7 working days after meetings	100	%	G	G	100%	High	Quarterly
2.3.4 % of draft ISC minutes uploaded to internet 12 working days after meetings	100	%	G	G	100%	High	Quarterly
2.3.5 Number of communication and governance arrangements for the ISC not in place	0		G	G	0	High	On-going

Rationale for performance status and trend

Measures 2.3.1 - 2.3.4 cover the quarter ending 30 June 2019, during which all arrangements in respect of the ISC met the target.

2.3.5 Measure will flag as red if one of the following communications arrangements is not in place:

- ISC Terms of Reference in place and noted at the beginning of the municipal year;
- ISS to be reviewed and published annually however this is currently pending for the end of this FY. This is due to the changes that Pooling will require;
- Annual Report & Accounts published by 30 November;
- One independent adviser and one institutional investment consultant attended or were available to attend the last ISC meeting;
- Briefing report provided to PSB on the matters dealt with at the preceding ISC meeting;
- Complete management information including asset values and returns made available for consideration at last ISC meeting.

All arrangements in place.

3.1 - Achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters and Funding Strategy

Measure Purposes: To achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters.

Scope: Sources of funding: employer contributions and investments

Measure Owner: Kevin McDonald

Data leads: Sara Maxey

Status	Value Units		Previous status	Current status	Target	Annual target	Polarity	Frequency
3.1.1 Probability of hitting funding target	75	%	G	G	50%	50%	High	Three yearly

Rationale for performance status and trend

3.1.1 . Following the Actuarial Valuation, an asset liability study was undertaken by the Fund's Institutional Investment Consultants, Hymans Robertson. This was considered by the Investment Steering Committee at its meeting on 12 October 2017.

Based on the assumptions and methodology in the investment consultant's long term stochastic projection model, they have reported that the probability of being fully funded in 25 years time as 75%.

This will be updated after the 2019 Valuation.

3.2 - To recognise in drawing up its Funding Strategy the desirability of employer contributions that are as stable as possible

Measure Purposes: To recognise the desirability of employer contributions that are as stable as possible

Scope: Fund Employers

Measure Owner: Kevin McDonald

Data lead: Sara Maxey

Status	Value Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.2.1 Stability mechanisms are included within the current Funding Strategy	Yes	G	G	Yes	Yes	High	3 yearly
3.2.2 Each of the 17 major precept raising bodies are were offered contributions which increased by no more than 1% per year or 3% per valuation.	Yes	G	G	Yes	Yes	High	3 yearly

Rationale for performance status and trend

3.2.1 The Funding Strategy Statement is reviewed at least every three years as part of the Valuation process to include suitable stability mechanisms.

3.2.2 During consultation on the 2017 Funding Strategy, each of the 17 major precepting bodies were consulted and agreed options for payment of employer contributions. Rates and adjustment certificates have been issued. The 17 major precepting bodies are listed below:

Essex County Council
 Basildon District Council
 Braintree District Council
 Brentwood Borough Council
 Castle Point District Council
 Chelmsford City Council
 Colchester Borough Council
 Epping Forest District Council
 Harlow District Council
 Maldon District Council
 Rochford District Council
 Southend-on-Sea Borough Council
 Tendring District Council
 Thurrock Borough Council
 Uttlesford District Council
 Essex Police Authority
 Essex Fire Authority

The 2016 Valuation is now complete. The next update will follow the 2019 Valuation.

3.3 - Consistency between the Investment and Funding strategies

Measure Purpose: To have consistency between the investment strategy and funding strategy

Scope: Long term investment return assumed by funding strategy and average expected return on investment portfolio

Measure Owner: Kevin McDonald

Data leads: Samantha Andrews & Sara Maxey

Status	Value Units		Previous status	Current status	Target	Annual target	Polarity	Frequency
3.3.1 Expected return of investment strategy	6.4	%	G	G	5.8%	5.8%	High	3 yearly
3.3.2 Investment strategy reviewed after Asset Liability Study	Yes		G	G	Yes	Yes	Yes	3 yearly

Rationale for performance status and trend

3.3.1 Long term return assumed by Funding Strategy

For the 2016 Valuation the Fund Actuary's assumption for investment return was 5.1%

As part of the 2017 Asset Liability Study, Investment Consultants Hymans Robertson conducted a review of the Fund's investment structure using their Asset Model (HRAM), the stochastic scenario generator developed by Hymans Robertson LLP, calibrated using market data as at 30 September 2017. The result was an expectation of a 6.4% p.a. return which rose to 7.8% with the inclusion of investment managers outperformance.

3.3.2 Investment Strategy reviewed

This measure highlights that the ISC on 12 October 2017 reviewed the Investment Strategy and its consistency with the Funding Strategy as part of its consideration of the Asset Liability Study, conducted by Hymans Robertson after the 2016 Actuarial Valuation.

This will be updated after the 2019 Valuation.

3.4 - Manage employers' liabilities effectively

Measure Purpose: To manage employers' liabilities effectively by the adoption of employer specific funding objectives participation

Scope: All employers contributing to the scheme

Measure Owner: Kevin McDonald

Data leads: Sara Maxey

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.4.1 Does the Funding Strategy incorporate different funding objectives for different groups of employers ?	Yes	%	G	G	Yes	Yes	High	3 Yearly

Rationale for performance status and trend

3.4.1 The draft Funding Strategy was agreed by the Board in March 2017 with a revision at the December 2017 Board. It included different funding objectives for different groups of employers. This was also the case for the Funding Strategy that accompanied the previous Actuarial Valuations in 2013 and 2010.

This will be updated after the 2019 Valuation.

3.5 - Maintain liquidity in order to meet projected net cash flow outgoings

Measure Purpose: Maintain liquidity in order to meet projected net cash-flow outgoings

Measure Owner: Kevin McDonald

Data lead: Sara Maxey & Samantha Andrews

Status

	Value	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.5.1 Sufficient investment income is available to supplement contribution income to meet benefit payments.	Yes	G	G	Yes	Yes	High	Ongoing

Rationale for performance status and trend

3.5.1 The Fund uses a combination of rental income and UK equity dividends from the passive portfolio to supplement contributions in meeting benefit payments.

The ISC reviewed its Treasury Management Strategy including cash flow at its March 2019 meeting and will keep this under periodic review. The next review is due March 2020 meeting.

3.6 - Minimise unrecoverable debt on termination of employer participation

Measure Purpose: To highlight unrecoverable, or potentially unrecoverable, deficit due to employers leaving the Fund

Scope: All employers contributing to the scheme

Measure Owner: Kevin McDonald

Data leads: Sara Maxey

Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.6.1 Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.001	%	A	A	0.00%	0.00%	Low	Quarterly
3.6.2 Deficit unrecoverable due to employers leaving scheme (as a proportion of Total Fund deficit)	0	%	G	G	0.00%	0.00%	Low	Quarterly

Rationale for performance status and trend

3.6.1 Scoring:

0% = Green.
Below 0.02%(£250,000) = Amber.

Above 0.02% = Red

In April 2018 Castle Point Citizens Advice Bureau went into liquidation, the Actuary report was completed and deficit sum was £39k.

In December 2018 Allied Healthcare went into liquidation, these were made up of 4 contracts, the Actuary report was completed and deficit sum was £65k for all combined.

The combination of these liquidations represent less than 0.001% of the £7.2bn Fund as at June 2019. The liquidators are still to finish their assessment and therefore this is currently ongoing, should there be no payment in relation to Allied Healthcare, Essex County Council will subsume this on an ongoing basis.

3.6.2 Scoring:

0% = Green.
Below 0.02%(£250,000) = Amber.
Above 0.02% = Red

4.1 (Annual) - Deliver a high quality, friendly and informative service

Measure Purpose: Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need

Scope: Communication and administration turnaround times, scheme member appeals, payment errors

Measure Owner: Jody Evans

Data lead: David Tucker and Chris Pickford

Status	Previous value	Current value	Previous status	Current status	Target	CIPFA Average
4.1.1 Letter detailing transfer in quote issued within 10 working days (392 cases) (188 in 2016/17)	89.1%	89.3%	A	A	95.0%	84.5%
4.1.2 Letter detailing transfer out quote issued within 10 working days (820 cases) (765 in 2016/17)	89.3%	90.0%	A	A	95.0%	84.7%
4.1.3 Letter detailing process of refund and payment made within 5 working days (963 cases) (1,106 in 2016/17)	95.3%	95.1%	G	G	95.0%	87.9%
4.1.4 Letter notifying estimated retirement benefit amount within 10 working days (8,143 cases) (2,346 in 2016/17)	98.1%	98.2%	G	G	95.0%	90.3%
4.1.5 Letter notifying actual retirement benefits and payment made of lump sum retirement grant within 5 working days (2,780 cases) (2,517 in 2016/17)	99.3%	99.2%	G	G	95.0%	92.0%
4.1.6 Letter acknowledging death of active /deferred / pensioner member within 5 working days (1,334 cases) (1,106 in 2016/17)	99.7%	99.7%	G	G	95.0%	90.3%
4.1.7 Letter notifying the amount of dependent's benefits within 5 working days (1,334 cases) (1,106 in 2016/17)	96.2%	96.4%	G	G	95.0%	91.0%
4.1.8 Calculate and notify deferred benefits within 10 working days (2,111 cases) (2,436 in 2016/17)	88.7%	87.9%	A	A	95.0%	78.6%
4.1.9 Annual benefit statements issued to active members of LGPS (Career Average) by 31 August.	100.0%	100.0%	G	G	100.0%	n/a
4.1.10 Annual benefit statements issued to deferred members by 30 June.	100.0%	100.0%	G	G	100.0%	n/a
4.1.11 New IDRPs appeals during the year (per one thousand members)	0.02	0.01	G	G	Below CIPFA average	0.14
4.1.12 IDRPs appeals - number of lost cases	0.00	0.00	G	G	Below CIPFA average	0.05

4.1.1 - 4.1.8 The Fund is aiming for a target of 95%. Above 95% = green, above 85% = amber, below 85% equals red.

4.1.9 Annual Benefit Statements were issued to all active members by 31 August 2018. No CIPFA average results appear in the benchmarking report.

4.1.10 Deferred members statements were issued in June 2018.

4.1.11 & 4.1.12 The CIPFA benchmarking statistics for 2016/17 no longer include IDRPs measures. The averages shown are for the last published year (2015/16).

4.1(Quarterly) - Deliver a high quality, friendly and informative service

Measure Purpose: Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need

Scope: Communication and administration turnaround times, scheme member appeals, payment errors

Measure Owner: Jody Evans

Data lead: David Tucker and Holly Gipson

Status	Value	Units	Previous status	Current status	Target
4.1.13 Number of payments errors	0	number	G	G	<9
4.1.14 Payment of death grant not made in line with nomination, next of kin, estate or Treasury Solicitor	0		G	G	0

Rationale for performance status and trend

4.1.13

This measure captures the number of errors made by Pensioner Payroll which have resulted in scheme members being paid the wrong amount.

During last 3 months, 0 payments errors to scheme members.

Quarterly target Green = <9; Amber = <16, Red = >16.

4.1.14

Details of the payment of death grants are set out below:

Payment of Death Grants detailed analysis	Mar'19 quarter	Jun'19 quarter
A: Notifications of Scheme Member deaths received	59	76
B: Number within A with death grant nomination	29	30
C: Number within B paid in line with nomination held	25	27
D: Number within B paid to next of kin (in instances of predeceased nominee)	4	2
E: Number within A paid to the Estate (in instances of predeceased nominee)	0	1
F: Number within A without death grant nomination	30	46
G: Number within F paid to next of kin	30	45
H: Number within F paid to the Estate	0	0
I: Number paid to holding account as no details of NOK at present	0	0
J: Number within F paid to the Treasury Solicitor	0	1

4.2 - Data is protected to ensure security and authorised use only

Measure Purpose: Data is protected to ensure security and authorised use only

Scope: All service area budgets within the directorate

Measure Owner: Kevin McDonald

Data lead: Jody Evans

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
4.2.1 Number of information security breaches	0		G	G	0	0	Low	Quarterly
4.2.2 Actions in place for all breaches	0		G	G	Actions in place for all	Actions in place for all	N/A	Quarterly

Rationale for performance status and trend

4.2.1 In the quarter to June 2019, there were no information security breaches.

Green = 0 breaches

Amber = 1 or more medium or minor breaches

Red = 1 or more major or critical breaches

4.2.2 Not applicable.

4.3 - Ensure proper administration of financial affairs

Measure Purpose: To ensure proper administration of the Fund's financial affairs

Scope: Investments and Contributions

Measure Owner: Kevin McDonald

Data leads: Samantha Andrews & Sara Maxey

Status

	Value	Units	Previous status	Current status	Current target	Annual target	Polarity	Frequency
4.3.1 % of monthly reconciliations of equity and bond investment mandates which are timely	33.3	%	G	G	0%	100%	High	Quarterly
4.3.2 % of contributing employers submitting timely payments	99.0	%	A	A	100%	100%	High	Quarterly

Rationale for performance status and trend

4.3.1 In the quarter up to end June 2019, 33.3% of monthly reconciliations of equity and bond investment mandates were carried out in timely manner against a 0% target for this quarter. (100% reported in March 2019).

4.3.2 For the quarter ending June 2019 **99%** of employers submitted timely payments. In cash terms this equated to **97.8%** of a total employer contribution of £49.3m. Of which £1.166m was made up of two Council's that made s aware of payroll issues and they would not make payment on time.

There have been no reports required to go to the Pensions Regulator this month.

4.4 - Compliance with the Fund's governance arrangements

Measure Purpose: To ensure compliance with the Fund's governance arrangements agreed by the Council

Scope: Publication of Essex Pensions Funding Board agendas and minutes. Governance arrangements agreed by Board

Measure Owner: Jody Evans/Kevin McDonald

Data lead: Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
4.4.1 % of Board agendas sent out 5 working days before meetings	0	%	G	G	0%	100%	High	Quarterly
4.4.2 % of Board items sent out 5 working days before meetings	0	%	G	G	0%	100%	High	Quarterly
4.4.3 % of draft Board minutes available 7 working days after meetings	0	%	G	G	0%	100%	High	Quarterly
4.4.4 % of Board minutes uploaded to internet 12 working days after meetings	0	%	G	G	0%	100%	High	Quarterly
4.4.5 Compliance with governance arrangements - number of governance arrangements not in place	0	number	G	G	0	0	High	On-going

Rationale for performance status and trend

4.4.1 - 4.4.4 There were no PSB meetings during the first quarter 1 April 2019 to 30 June 2019.

4.4.5 Measure will flag as red if one of the following governance arrangements is not in place:

- pension Fund Business Plan in place and renewed at the beginning of the financial year;
- an Employer Forum has taken place during the last year - Fund is compliant;
- the last Employer Forum received reports and representation from the ISC and PSB - Fund is compliant;
- PSB Terms of Reference in place and noted at the beginning of the municipal year.

NB: Compliance with Board Membership arrangements is covered at measure 1.4.4

5.1 - Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.

Measure Purpose: Communicate in a friendly, expert and direct way to our stakeholders, treating all our stake holders equally.

Scope: All scheme members and employers

Measure Owner: David Tucker

Data lead: David Tucker and Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.1.1. % of positive responses from the scheme member survey. - <i>Helpfulness of the Pensions Teams.</i>	100	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.2. % of positive responses from the Employer Survey. - <i>Expertise of Pensions Teams.</i>	98	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.3. % of positive responses from the Employer Survey. - <i>Friendliness.</i>	94	%	G	A	95%	95%	High	Annual (Qtr 4)
5.1.4. A Communication Policy is in place for the current year.	Yes		G	G	Yes	Yes	High	Annual (Qtr 4)

Rationale for performance status and trend

5.1.1 In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey. 111 responses were received to the question 'How would you rate the EPF Team on helpfulness of staff?' All responses were positive resulting in a 100% positive response rate. The previous survey result for this question was also 100%.

5.1.2 In November 2018 an Employer Survey was issued to 654 Employers (496 were issued in June 2017) and were invited to participate. 51 Employers completed the survey. 49 responses were received to the question to 'How would you rate EPF on the level of their expertise and knowledge?'. Only 1 negative response was received resulting in a 98% positive response rate. The previous survey result for this question was 5 negative responses with a 96.6% positive rate.

5.1.3 In November 2018 an Employer Survey was issued to 654 Employers (496 were issued in June 2017) and were invited to participate. 51 Employers completed the survey. 50 responses were received to the question to 'How would you rate EPF staff on friendliness?'. 3 negative responses were received resulting in a 94% positive response rate. The previous survey result for this question was 6 negative responses with a 96% positive response rate.

5.1.4 The Communications Policy was agreed at the July 2016 meeting of the PSB.

5.2 - Ensure our communications are simple, relevant and have impact. To deliver information in a way that suits all types of stakeholder

Measure Purpose: Ensure our communications are simple, relevant and have impact. To deliver information in a way that suits all types of stakeholder

Scope: All Scheme members and employers

Measure Owner: David Tucker

Data lead: David Tucker

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.2.1. % of positive responses from the Scheme Member Survey - <i>Clarity of website information.</i>	92.5%	%	G	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.2. % of positive responses from the Scheme Member Survey - <i>Understandable Annual Benefit Statements.</i>	82%	%	A	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.3. % of positive responses from the Scheme Member Survey - <i>Communications that suit needs, easy to understand and relevant.</i>	100%	%	G	G	95.0%	95.0%	High	Annual (Qtr 4)
5.2.4. % of positive responses from the Employer Survey - <i>Clarity of Website information.</i>	94%	%	A	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.5. Increase in response of the Scheme Member Survey compared to last year.	1.2%	%	G	G	Increase	Increase	High	Annual (Qtr 4)
5.2.6. Increase in response rate of the Employer Survey compared to last year.	-23.3%	%	G	R	Increase	Increase	High	Annual (Qtr 4)
5.2.7 Employer survey - feedback on training and educational materials - % of positive responses	92.7%	%	G	A	95.0%	95.0%	High	Annual (Qtr 4)

Rationale for performance status and trend

5.2.1 - In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey. 67 responses were received to the question 'How clear was the information available on the EPF website?' 5 negative responses were received resulting in a 92.5% positive response rate. The previous survey result to this question was 98.3%.

5.2.2 - In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey. 100 responses were received to the question 'How easy was the information in your Annual Benefit Statement to understand?' 18 negative responses were received resulting in a 82% positive response rate. The previous survey result to this question was 92.6%.

5.2.3 - In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey. 113 responses were received to the question 'How would you rate EPF on providing relevant and easy to understand information?' All responses were positive resulting in a 100% positive response rate. The response to this question in the previous survey was also 100%.

5.2.4 - In November 2018 an Employer Survey was issued to 654 Employers (496 were issued in June 2017) and were invited to participate. 51 Employers completed the survey. 49 responses were received to the question 'How would you rate the clarity of website information?'. 4 negative responses were received resulting in a 91.3% positive response rate. The previous survey result for this question was 2 negative responses with a 94% positive response rate.

5.2.5 - In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey (122 in April 2017). This is an increase in 6 respondents (1.2%).

5.2.6 - In November 2018 an Employer Survey was issued to 654 Employers (496 were issued in June 2017) and were invited to participate. 51 Employers completed the survey (154 in June 2017). This is a decrease in the response rate by 103 (-23.3%).

5.2.7 - In November 2018 an Employer Survey was issued to 654 Employers (496 were issued in June 2017) and were invited to participate. 51 Employers completed the survey. When asked about feedback on the usefulness the Fund's training events, 2 negative responses were received resulting in a 92.7% positive response rate. The previous survey result for this question was 100% positive.

5.3 - Aim for a full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members and employers

Measure Purpose: Aim for a full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme

Scope: All scheme members and employers

Measure Owner: David Tucker

Data lead: David Tucker

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.3.1. % of opt outs is within reasonable parameters		%	Gy	GY	0.10%	0.10%	N/A	3 yearly
5.3.2. % of positive responses from the Employer Survey - <i>Information available is helpful in employers understanding their responsibilities</i>	98%	%	G	G	95%	95%		Annual (4th Qtr)

Rationale for performance status and trend

5.3.1 This measure has been removed as it is out of the Fund's control.

5.3.2 In November 2018 an Employer Survey was issued to 654 Employers (496 were issued in June 2017) and were invited to participate. 51 Employers completed the survey. 49 responses were received in relation to the Employer understanding their responsibilities. Only 1 negative response was received resulting in a 98% positive response rate. In the previous survey the response to this question was 100%.

Investment Steering Committee (ISC) Quarterly Report

Report by the Interim Director for Essex Pension Fund

Enquiries to Samantha Andrews: 0333 0138 501

1. Purpose of the Report

- 1.1 To provide a report on ISC activity since the last Essex Pension Fund Strategy Board meeting.

2. Recommendations

- 2.1 The Board agree:
- that the report be noted.

3. Background

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on two occasions, 26 June and 17 July 2019.

4. Report of the meeting of ISC on 26 June 2019

- 4.1 The Committee noted the appointment of Cllr Susan Barker as the Chairman of the Board and ISC as agreed at the Annual Meeting of Essex County Council (ECC) on 14 May 2019.
- 4.2 The Committee **agreed** that Cllr Mark Platt be reappointed as Vice Chairman.
- 4.3 The Committee received a report in relation to their Terms of Reference (TOR) which was noted.
- 4.4 The Committee in addition received a report in relation to their revised TOR which had been reviewed in full in consultation with the Independent Governance & Administration Advisor (IGAA) and the Director of Legal & Assurance (Monitoring Officer) for ECC. A minor amendment to the draft was requested and subsequently approved for onward transition to the Board for formal approval.
- 4.5 Details of the Baillie Gifford Seminar, due to take place in October 2019 were presented to the Committee for noting.
- 4.6 A report on the quarter end 31 March 2019 Investments Tables, which detailed the Fund's market value and investment manager performance, was discussed. It was noted that the Fund's value had increased to just over £7bn as at 31 March 2019 compared to a value of £6.651bn as at 31 December 2018.
- 4.7 It was also noted that the Fund value had increased further to an all-time high of £7.2bn to date. The Committee **agreed** that officers in consultation with advisers undertake a review of the investment tables format, presentation and content to incorporate: the revised changes in strategic asset allocation; the migration of assets into the ACCESS Pool and appropriateness of benchmarks.
- 4.8 A report tracking progress made to date in regard to the strategy implementation was noted.

- 4.9 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS. It was highlighted that at the 18 March AJC meeting, Members discussed and agreed a revised ACCESS Consultation response to which Essex agreed to be a joint signatory to the Minister of Housing, Communities and Local Government (MHCLG) consultation on the draft investment pooling guidance. An update was provided on the sub-fund seeding arrangements, illiquid assets and the ACCESS Support Unit (ASU) recruitment.
- 4.10 The Committee were provided with a report summarising the current views from Hymans Robertson on some of the Fund's managers.
- 4.11 The Committee also received Investment Manager Presentations from Stewart Investors and M&G Investments in relation to their global emerging markets (GEM) and active bond mandates respectively.

5. Report of the meeting of ISC on 17 July 2019

- 5.1 The Committee received a report in relation to the Investment Strategy Statement (ISS) Review and Responsible Investment (RI). It was highlighted that a review of both the ISS and Funding Strategy would take place during the municipal year by the ISC and the Board respectively, with both subject to stakeholder consultation.
- 5.2 The Committee was provided with an outline on the four keys areas that the ISS review would focus on and in particular the approach to the responsible investment aspects contained within the ISS. Members were advised that a RI workshop would be arranged for October 2019 to kick off this review.
- 5.3 The Committee **agreed**:
- the timeline for reviewing the ISS with a focus on agreeing an approach to the RI aspects contained in the ISS; and
 - that a presentation from Local Authority Pension Fund Forum (LAPFF) on collaborative responsible investment take place at the ISC's November meeting.
- 5.4 The main focus of the meeting's business was the yearly review of the Fund's investment managers.
- 5.5 The Committee received a report and presentation summarising the investment performance for the year ended 31 March 2019 of the Investment Managers of the Fund, along with a synopsis of the market conditions during the year.

- 5.6 It was noted that the Fund's performance for the year ended 31 March 2019 of 8.5% was ahead of benchmark and was again above the Actuary's investment return assumption used for the triennial valuation.
- 5.7 The Committee received a report summarising the independent review CEM Benchmarking had undertaken of the overall fees paid by the Fund, investment returns and net value added compared to its peers across the LGPS and global universal for the year to 31 March 2018.
- 5.8 Separately a review was also undertaken by Hymans Robertson of the fees paid by the Fund in respect of the management of alternative assets classes. The Committee then **agreed** CEM undertake a cost benchmarking review as at 31 March 2019.
- 5.9 The Committee received an overview on current benchmarks for equity, bond and alternative investments. Suggested amendments to current benchmarks was discussed and agreed by the Committee.
- 5.10 The Committee were reminded of the de-risking progress made in respect of reducing the Fund's strategic allocation to equities outlining the strategic decisions previously agreed over the last 18 months and the timetable for decisions still pending agreement.
- 5.11 The Committee **agreed** that in light of changing market conditions to proceed with the 2% disinvestment from Marathon with 1% of the monies being transferred into the passive equity strategies managed by UBS in line with the central benchmark allocation and 1% to M&G Alpha Opportunities rather than redirect the full amount to the passively managed UBS equities strategies as previously agreed.
- 5.12 The Committee received a report and presentation on the Fund's currency hedge arrangements.
- 5.13 Following discussions, the Committee **agreed**:
- to take no action in relation to the currency hedge central target of 50% as currently the currency hedge is within the desired zone at a total Fund level;
 - to consider the currency hedge target at a total Fund level rather than the equity portfolio only;
 - to consider switching to the GBP hedged share classes for IFM and JPM as and when further allocations are made to their funds; and

- that a report outlining the above considerations be brought to a future meeting.

5.14 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS and in particular the JC activity since the last meeting.

5.15 The Committee were informed that representatives of ACCESS met with civil servants on 4 July 2019 to discuss ACCESS's response to the Ministry of Housing, Communities and Local Government (MHCLG) informal consultation in regard to guidance on LGPS asset pooling. It was noted that a formal consultation is now expected to be issued after the summer recess.

5.16 The Committee were advised that Link were organising in consultation with ACCESS Officer Working Group an ACCESS Investor Day. Members were asked to note the potential date of 16 October 2019 and that Officers of the Fund will share more information with the ISC when it becomes available.

5.17 The Head of Essex Pension Fund updated the Committee that the current S151 Officer, Margaret Lee, would be stepping down in August 2019 and her S151 role would be filled by Nicole Wood.

5.18 An update was also provided in regard to the recruitment of the ACCESS Director. It was noted that following interviews a suitable candidate had been identified and a recommendation has been put forward to the Host Authority to appoint the candidate on a secondment basis with a formal announcement imminent.

6. Link to Essex Pension Fund Objectives

6.1 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.

7. Risk Implications

7.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement and the Fund's Risk Register.

7.2 No new risks have been identified during the quarter.

8. Communication Implications

8.1 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

9. Finance and Resources Implications

9.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £109,000 in 2019/20.

9.2 The cost to the Fund was;

- £116,000 in 2018/19
- £94,000 in 2017/18
- £80,000 in 2016/17

10. Background Papers

10.1 ISC meeting of 26 June 2019 – agenda and signed minutes.

10.2 ISC meeting of 17 July 2019 – agenda and draft minutes.