



Essex County Council

# Essex Pension Fund Strategy Board

<b>13:00</b>	<b>Wednesday, 07 March 2018</b>	<b>Committee Room 2, County Hall, Chelmsford, CM1 1QH</b>
--------------	-------------------------------------	---

**For information about the meeting please ask for:**

Sophie Campion, Senior Democratic Services Officer

**Telephone:** 033301 34587

**Email:** [Sophie.campion@essex.gov.uk](mailto:Sophie.campion@essex.gov.uk)

		<b>Pages</b>
<b>1</b>	<b>Membership, Apologies, Substitutions and Declarations of Interest</b>	<b>6 - 6</b>
<b>2</b>	<b>Minutes</b>	<b>7 - 21</b>
	To approve as a correct record the minutes of the Board meeting held on 18 December 2017.	
<b>3</b>	<b>LGPS Governance</b>	
	To receive a presentation from the Independent Governance & Administration Adviser.	
<b>4</b>	<b>Governance Policy &amp; Compliance Statement review</b>	<b>22 - 44</b>
	To consider a report (EPB/01/18) by Independent Governance Adviser and Director for Essex Pension Fund.	

<b>5</b>	<b>Update on Pension Fund Activity</b>	<b>45 - 85</b>
	To note a report (EPB/02/18) and Appendices, by the Director for Essex Pension Fund and the Head of Essex Pension Fund:	
	<ul style="list-style-type: none"> <li>• A(i) 2017/18 Business Plan</li> <li>• A (ii) Three Year Business Plan</li> <li>• B Risk Management - Risk Register</li> <li>• C Measurement against Fund Objectives - Scorecard</li> </ul>	
<b>6</b>	<b>Review of Fund objectives and risks</b>	<b>86 - 94</b>
	To consider a report (EPB/03/18) by the Independent Governance & Administration Adviser.	
<b>7</b>	<b>Review of Administration Strategy</b>	<b>95 - 97</b>
	To consider a report (EPB/04/18) from the Head of Essex Pension Fund.	
<b>8</b>	<b>Pension Advisory Board (PAB) Quarterly Report</b>	<b>98 - 99</b>
	To note a report (EPB/05/18) by the Director for Essex Pension Fund and the Head of the Essex Pension Fund.	
<b>9</b>	<b>Investment Steering Committee (ISC) Quarterly Report</b>	<b>100 - 102</b>
	To receive an update (EPB/06/18) by the Investment Manager.	

## **10 Schedule of Future Meetings**

To note the following future dates:

### Pension Strategy Board

4 July 2018  
12 September 2018  
19 December 2018  
6 March 2019

### Investment Steering Committee

27 June 2018  
18 July 2018  
17 October 2018  
28 November 2018  
20 February 2019  
27 March 2019

## **11 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)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

## **12 Actuarial Valuation & Colleges**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings;

## **13 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, <https://www.essex.gov.uk>. From the Home Page, click on 'Your Council', then on 'Meetings and Agendas'. Finally, select the relevant committee from the calendar of meetings.

### **Attendance at meetings**

Most meetings are held at County Hall, Chelmsford, CM1 1LX. A map and directions to County Hall can be found at the following address on the Council's website: <http://www.essex.gov.uk/Your-Council/Local-Government-Essex/Pages/Visit-County-Hall.aspx>

### **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](mailto: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 visit this link <https://cmis.essexcc.gov.uk/Essexcmis5/CalendarofMeetings> 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

---

**Committee:** Essex Pension Fund Strategy Board

**Enquiries to:** Sophie Campion, Senior Democratic Services Officer

**Membership, Apologies, Substitutions and Declarations of Interest**

**Recommendations:**

To note

1. Membership as shown below
2. Apologies and substitutions
3. Declarations of interest to be made by Members in accordance with the Members' Code of Conduct

**Membership**

(Quorum: 4)

**Membership**

Councillor S Barker  
Councillor D Blackwell  
Councillor S Canning  
Councillor A Goggin  
Councillor A Hedley  
Councillor L Scordis  
Councillor C Souter  
Councillor C Riley  
Councillor A Moring  
Sandra Child  
Ms J Moore

**Representing**

Essex County Council (Chairman)  
Essex County Council  
Essex County Council  
Essex County Council  
Essex County Council  
Essex County Council  
Essex County Council  
Essex County Council  
Castle Point District Council  
Southend-on-Sea Borough Council  
Scheme Members  
Smaller Employing Bodies

---

**Minutes of the meeting of the Essex Pension Fund Strategy Board,  
held in Committee Room 2 County Hall, Chelmsford, CM1 1QH on  
Monday, 18 December 2017**

**Present:**

**Essex County Council**

Cllr S Barker (Chairman)  
Cllr S Canning  
Cllr A Erskine (Conservative Group Substitute)  
Cllr A Goggin  
Cllr T Hedley  
Cllr M Maddocks (Conservative Group Substitute)

Cllr L Scordis

**District/Borough Councils in Essex**

Cllr C Riley

**Unitary Councils**

**Scheme Members**

Mrs S Child

**Smaller Employing Bodies**

Jenny Moore

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

Andrew Coburn  
Mark Paget  
Paul Hewitt\*

\*For part of meeting

The following Advisors were present at the meeting;

Ian Colvin	Independent Governance and Administration Adviser
Graeme Muir	Fund Actuary
Rodney Bass	Specialist Adviser

The following Officers were also present in support of the meeting;

Kevin McDonald	Director for Essex Pension Fund
Jody Evans	Head of Essex Pension Fund
Sam Andrews	Investment Manager
Sara Maxey	Employer Relationship Manager

---

Matt Mott	Communications Manager
Greg Mortimer	Audit Manager
Andy Gribben	Senior Democratic Services Officer

**1 Apologies for Absence**

Apologies were received from Cllr Moring, Southend Borough Council and Cllr Souter

**2 Declarations of Interest**

The Chairman requested Members declare any interests as appropriate. Councillor Colin Riley declared he was in receipt of an Essex LGPS pension, Councillor Alan Goggin declared his wife, sister and brother-in-law are in receipt of an Essex LGPS pension and Councillor Stephen Canning declared that he was a Director of Essex Cares.

**3 Minutes**

**Resolved:**

That the Minutes of the Essex Pension Strategy Board held on 13 September 2017 be approved as a correct record and signed by the Chairman.

**4 Investment Steering Committee (ISC) Quarterly Report**

The Board received report (EPB/25/17) presented by the Director for Essex Pension Fund and the Head of the Essex Pension Fund.

Members were advised that the Investment Steering Committee was required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board and that since the Board's last meeting the ISC has met on two occasions 12 October 2017 and 15 November 2017.

The business of those two meetings were detailed in the report and it was

**Resolved**

That the report be noted.

**5 2017 Interim Review**

The Board received report (EPB/26/17 and Annex A) from the Fund Actuary and the Director of the Essex Pension Fund to consider the impact of the Interim Review on the Funding Strategy.



Members of the Board noted that All Local Government Pension Scheme Funds were required to have a full Actuarial Valuation every three years. The last such Valuation was as at 31 March 2016 and the next will be due at 31 March 2019.

Members of the Board were advised that all Funds were required to produce, consult on, and publish a Funding Strategy Statement (FSS). The Board had agreed the FSS at its meeting on 8 March 2017 and also commissioned from the Actuary an Interim Review the report of which was noted to be in Annex A and showed that the funding level had increased from 89% to 93% in the 12 months to 31 March 2017.

Members considered the report, Annex A and the presentation by the Actuary on the Interim Funding Review and it was

### **Resolved**

1. That the 31 March 2017 Interim Review report be noted.
2. That no changes - as a consequence of the 31 March 2017 Interim Review - are made to the Essex Pension Fund's Funding Strategy Statement.

## **6 Funding Strategy Statement**

The Board received report (EPB/27/17) presented by the Director for Essex Pension Fund, the Head of the Essex Pension Fund and the Fund Actuary in order to consider the Funding Strategy in light of the completion of the 2017 Asset Liability Study (as discussed within item 4) and the 2017 Interim Review (as discussed within item 5) and to consider any recommendations that may have arisen.

Members considered the report and the presentation (further to the two previous items) and it was

### **Resolved**

1. In light of the 2017 Asset Liability Study, that the section of the Funding Strategy entitled 'Impact of Investment Strategy' is updated as set out in paragraph 4.3 of the report (and shown as Appendix 1 to these minutes) and
2. in light of the 2017 Interim Review that no changes are made to the Essex Pension Fund's Funding Strategy Statement.

## **7 Consultation on Tier 3 Employers**

Members of the Board considered report (EPB/28/17) by the Employer

Relationship Manager, Essex Pension Fund and were informed that the Scheme Advisory Board have issued an online survey to gather views and information from all tier 3 employers participating in the Essex Pension Fund and that those employers have been further encouraged, by subsequent communications, to participate. The deadline for completion was 31 December 2017. A report providing an update of the survey is expected from the appointed consultant Aon Hewitt in 2018.

### **Resolved**

The report was noted.

## **8 2017/18 Charging Policy**

The members of the Board considered report (EPB/29/17) by the Employer Liaison Manager, Essex Pension Fund that provided an update on a review of the 2016/17 year-end data submissions exercise, detailed plans for the 2017/18 year-end data submissions exercise were provided with proposed minor revisions to the charging policy for late or inaccurate year-end data submissions, approval was sought for these amendments.

### **Resolved**

1. That the Board note the Review of the 2016/17 year-end data submissions exercise and plans for the 2017/18 exercise and
2. approve the charging policy for late year-end data submissions for 2017/18 onwards attached at appendix 2 A to the report (and shown as Appendix 2 to these minutes)

## **9 Update on Pension Fund Activity**

The members of the Board considered report (EPB/30/17 and appendices (Ai), (Aii), B and C ) presented by the Director for the Essex Pension Fund and the Head of the Essex Pension Fund and it was

### **Resolved**

To note

1. progress against the 2017/18 business plan,
2. the three year business plan,
3. current risks with a residual score of six or above and
4. the latest scorecard measures.

**10 Review of Objectives and Plan of Risks Review**

The members of the Board considered report (EPB/31/17) presented by the Director for Essex Pension Fund and the Head of Essex Pension Fund proposing a timetable for reviewing the objectives and risk register of the Essex Pension Fund.

**Resolved**

That the timetable for the review of the Fund's objectives and risk register was to be:

PSB	18 December 2017	Paper to PSB to approve approach
PAB	24 January 2018	PAB updated on approach
ISC	21 February 2018	Paper to ISC containing Funding and Investment objectives for comment
PSB	7 March 2018	Paper to PSB containing full set of objectives for comment and approval
	March / April	Officers / advisers commence risk review
PAB	Late May 2018	Update on risk review progress to PAB
ISC	Mid-June 2018	Paper to ISC containing draft Funding and Investment risks for comment
PSB	July 2018	Paper to PSB containing draft Risk Register for comment
PSB	Mid-September 2018	Risk register taken to PSB for approval
PAB	Late September 2018	PAB to review process and comment

**11 Digital Delivery: Employer Online and Member Online**

Members of the Board noted report (EPB/32/17) presented by the Director for Essex Pension Fund and the Head of Essex Pension Fund that outlined

the new solution of online services available to both Essex Pension Fund Scheme Members and Employers, highlighted recent significant developments and described the work undertaken by officers to date and the roll out plan for online services. The report also proposed arrangements to allow the Board to monitor progress on the roll out of services.

**Resolved**

That the Board approve

1. the general release of online services to all members and employers in line with the proposed roll out approach;
2. officers be authorised to make all necessary implementation arrangements and
3. progress reports on the distribution of online services be reported to the Board each quarter within Annex A action 17 of the business plan.

**12 Internal Audit Results Report**

The members of the Board noted a report (EPB/33/17) by the Head of Internal Audit and Counter Fraud and presented by Greg Mortimer, Audit Manager, providing a summary of Internal Audit's 2016/17 activity in relation to the pension fund and proposals for 2017/18.

**Resolved**

The Board noted:

1. The outcomes of the 2016/17 plan,
2. The outcomes of the 2016/17 National Fraud Initiative and
3. The planned audits of the Pension Fund for 2017/18.

**13 Essex Pension Fund Advisory Board (PAB) Quarterly Report**

The members of the Board noted a report (EPB/34/17) by the Director for Essex Pension Fund and Head of Essex Pension Fund that provided an update on the activity of the Pension Advisory Board since the last meeting of the Board.

**Resolved**

The Board noted the report.

**14 Date of Next Meeting**

To note that the next meeting of the Board will be held on Wednesday 21 March 2018 in Committee Room 2.

**15 Exclusion of Press and Public****Resolved:**

That, having reached the view that, in each case, the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following items of business on the grounds that they involved the likely disclosure of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**16 Operator ACCESS**

The members of the Board considered a confidential report (EPB/35/17 and appendix) by the Director for Essex Pension Fund and the Head of Essex Pension Fund regarding the outcome of the operator procurement for the provision of ACCESS LGPS Pool Operator Services.

**Resolved**

That the Board note:

- the outcome of the operator procurement: and
- the recommendation of the ACCESS Joint Committee (AJC) to award the contract for ACCESS LGPS Pool Operator Services to the successful provider.

That the Board agree that Essex be a joint signatory along with the other 10 ACCESS Authorities on the ACCESS LGPS Pool Operator Services Contract with the successful provider.

**17 Vote of thanks**

The Chairman, noting that this meeting was to be the last attended by Mr Rodney Bass in his capacity as Specialist Adviser to the Board and with the approval of all members and officers present, took the opportunity to thank him for his invaluable service and the significant contribution he had made to the success of the Board.

**18 Close of formal meeting**

---

There being no further business the meeting closed at 15:08pm.

**Chairman**

A training session was subsequently held on InfoBoard.

## Appendix 1

## Funding Strategy Statement – see minute 6 above.

.....  
 ‘As detailed within paragraphs 4.8 and 4.9 of item 4 on this agenda (ISC Quarterly Report) the outputs of the Asset Liability Study included updated probability analysis of the achieving 100% funding. **It is therefore recommended** that:

- the existing wording in the published FSS from “Impact of investment Strategy” (on page 14) through to the start of Section 8 (on page 16) be deleted; and
- the following wording and graph be included within the revised FSS:

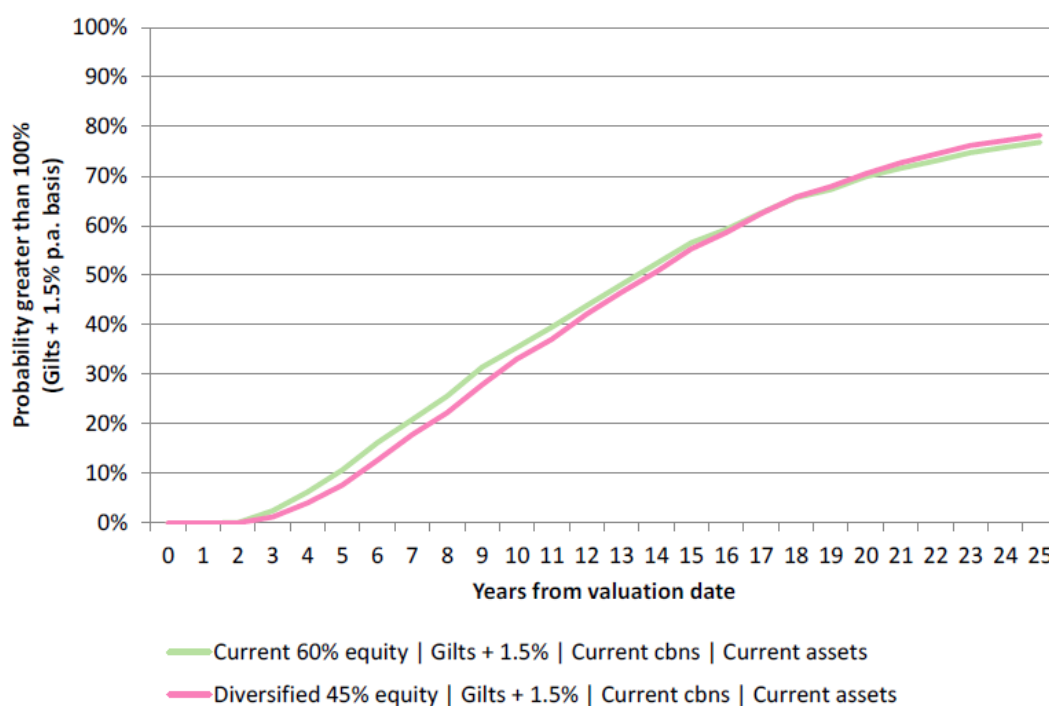
***Impact of investment strategy***

*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 the FSS as Schedule A to the report'*



2017/18 Charging Policy – see minute 8 above.

.....

## DRAFT YEAR-END CHARGING POLICY

## Essex Pension Fund

## YEAR-END DATA RETURNS

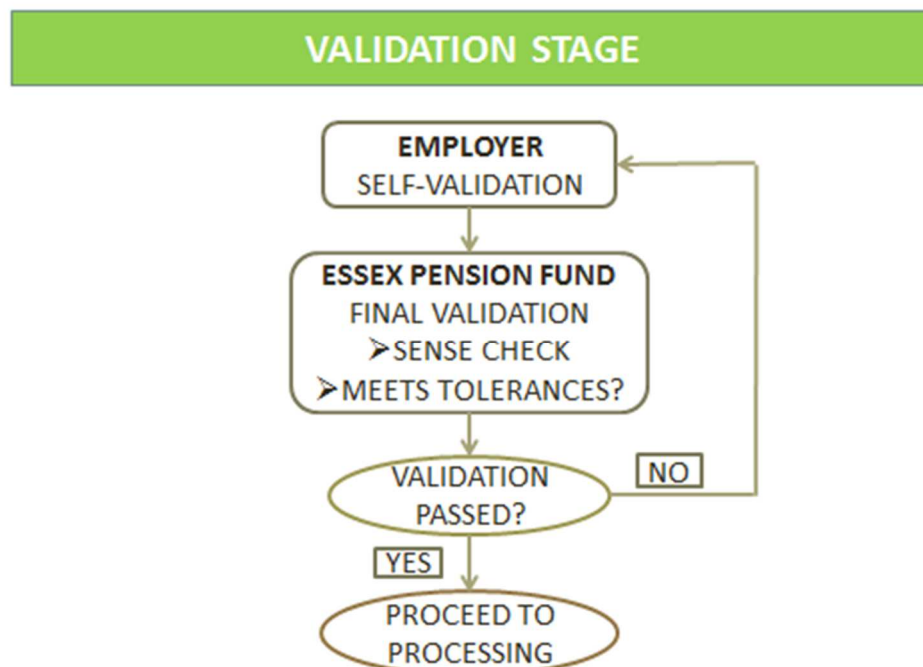
### Policy on charging for late and/or inaccurate returns

Effective date: 18 December 2017

- If a return is late and/or contains errors, or data omissions are identified, then charges can be incurred by an employer at both the Validation stage and at the Processing stage.
- Any charges incurred by employers for either stage will be invoiced at the end of the year-end data return exercise.

Details of the two acceptance stages are outlined below;

Nb. *all dates are following the year-end, e.g. 30 April means 30 April 2018 for the 2017/18 return, 30 April 2019 for the 2018/19 year-end and so on.*



- Employers will be expected to undertake many of the formatting and tolerance checks themselves, by using the self-validation facility built into the year-end data return spreadsheet, before they submit their return.

- Any return submitted with Red or Amber validation errors without explanatory comments, or not submitted on the correct layout provided for the year in question, will be rejected and returned to be corrected and resubmitted
- Correctly submitted returns will then be subject to additional validation and tolerance checks by officers which must be passed before the return can be accepted and proceed to the Processing stage.

**No charge if;**

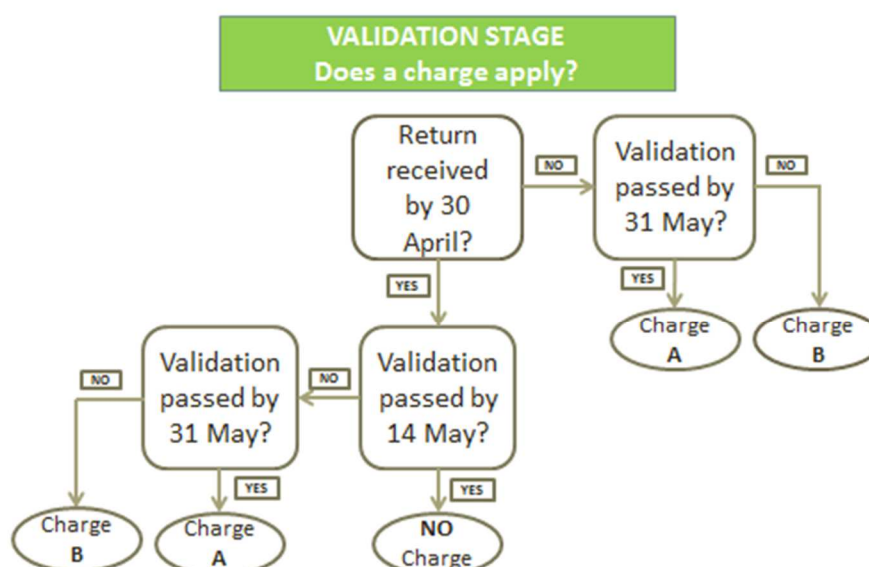
- the return is received by the deadline of 30 April and passes the validation and tolerance checks by 14 May

**Charge A if;**

- the return is received by 30 April and passes the validation and tolerance checks after 14 May but by 31 May, or
- the return is received after 30 April but is received and passes the validation and tolerance checks by 31 May.

**Charge B if;**

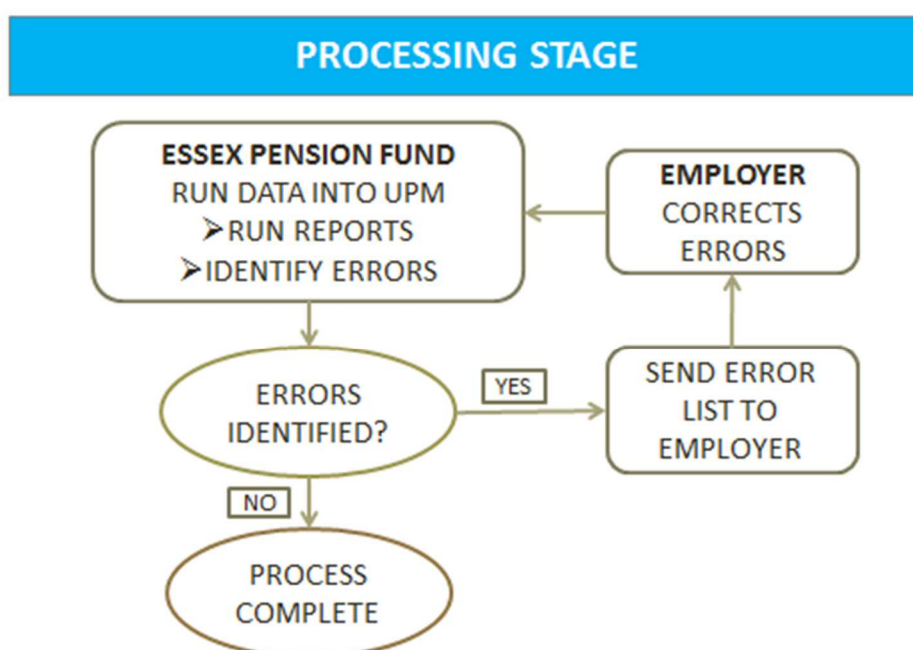
- the return is received after 30 April but by 31 May and does not pass the validation and tolerance checks by 31 May, or
- the return is received after 31 May.



**Table 1: Validation stage charges**

Number of Active members at 31 <sup>st</sup> March	Validation Charge A	Validation Charge B
1 to 25	£206	£412
26 to 50	£361	£721
51 to 75	£464	£927
76 to 100	£567	£1,133

101 to 250	£1,030	£2,060
251 to 500	£2,163	£4,326
501 to 1,000	£2,833	£5,665
1,001 to 5,000	£5,665	£11,330
5,001 to 10,000	£9,785	£19,570
10,001 to 15,000	£15,450	£30,900
15,001 to 20,000	£23,175	£46,350
20,000+	£30,900	£61,800
If a return is not submitted by 31 May then Charge B will apply		
These charges will be increased each year by September's Consumer Prices Index (CPI) annual inflation figure		



- Data provided on the return is run into the administration system to identify any errors on the individual data lines (e.g. missing starter or leaver notifications)
- If any errors/omissions/queries are identified, a list of these will be sent to the employer and the employer will be given 14 calendar days to rectify the errors/omissions/queries.
- If the errors/omissions/queries are not rectified within 14 calendar days from notification by the Fund, there will be a Stage 2 charge
- The Processing charge will be based on the number of errors, omissions and queries in the list sent to the employer and the level of charges is shown in Table 2.
- If completely correct data is not received within 28 calendar days from notification by the Fund, the charge will be doubled.

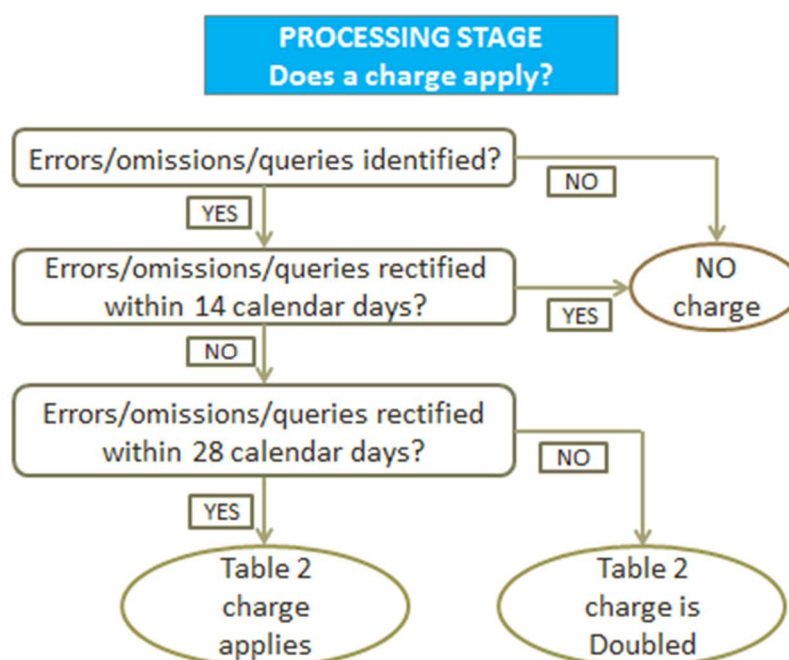


Table 2 – Processing stage charges

No. of errors, omissions & queries	Processing Charge	Double charge*
1 – 10	£103	£206
11 – 20	£206	£412
21 – 30	£309	£618
31 – 40	£412	£824
41 – 50	£515	£1,030
51 – 100	£824	£1,648
101 – 250	£2,060	£4,120
251 – 500	£4,120	£8,240
501 – 750	£6,180	£12,360
751 – 1000	£7,725	£15,450
1001 – 1500	£10,300	£20,600
1501 – 2000	£12,875	£25,750
2001+	£15,450	£30,900

\*If correct data is not received, and any errors/omissions/queries rectified, within 28 calendar days from notification by the Fund then this charge will be doubled

If the data which gave rise to a particular query turns out to be correct then that query will be deducted from number of errors, omissions and queries used to determine the charge

These charges will be increased each year by September's Consumer Prices Index (CPI) annual inflation figure

### Additional charges

Additional charges will be incurred by an employer if a correct return is submitted too late;

- to be included in the annual benefit statements (ABS) run, or
- for correct data to be included in the annual submission/return to the Actuary, Government Actuary's Department or the LGPS Scheme Advisory Board.

Also, if the Fund should incur a fine from the Pensions Regulator as a result of an employer action or inaction then the employer will be required to reimburse the Fund for the amount of the fine.

<b>Essex Pension Fund Strategy Board</b>	<b>EPB/01/18</b>
<b>Date: 7 March 2018</b>	

Review of Fund Governance and Compliance Statement

Report by the Independent Governance & Administration Adviser

Enquiries to Kevin McDonald on 03330 138488 and Jody Evans on 03330 138489

**1. Purpose of the Report**

- 1.1 To make members of the Pension Fund Strategy Board (“PSB”) aware of the process for reviewing the Fund’s Governance Compliance Statement.

**2. Recommendations**

- 2.1 That the PSB agrees the timetable for a review of the Fund’s Governance Compliance Statement as set out in this paper.

### **3. Background**

3.1 Under the Local Government Pension Scheme Regulations, each Pension Fund Administering Authority is required to produce and keep under review a Governance Policy detailing the following:

- whether the authority delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- if it does so -
  - the terms, structure and operational procedures of the delegation,
  - the frequency of any committee or sub-committee meetings,
  - whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights.

### **4. Review of the Governance Compliance Statement**

4.1 The Governance Compliance Statement was last updated at the PSB meeting of 13 July 2016 is included at appendix 1.

4.2 It is proposed that the Independent Governance and Administration Adviser and the Fund's officers carry out a further review of the policy in order to reflect any more substantive changes. This review process will include input from the Pension Advisory Board. A fully updated policy will be brought before the PSB at the July meeting.

### **5. Link to Essex Pension Fund Objectives**

5.1 This paper has relevance to the following Fund objectives:

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

5.3 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.

5.4 Understand and monitor risk and compliance.

### **6. Risk Implications**

6.1 Failure to carry out a review of the Governance Compliance Statement may result in the Fund failing to achieve its governance objectives.

### **7. Communication Implications**

- 7.1 The Policy will be published on the Fund's website and will appear in the 2018/19 Pension Fund Report and Accounts.

## **8. Finance and Resources Implications**

- 8.1 If agreed, this recommendation will require officer support.

## **9. Background Papers**

- 9.1 None.



# Essex Pension Fund

## Governance Policy and Compliance Statement

as at 13 July 2016

### Introduction

This Policy and Compliance Statement outlines the governance arrangements for the Essex Pension Fund, maintained by Essex County Council, as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 (“The Regulations”).

Under that provision all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, keep it under review, revise it following any material change in its delegation arrangements and publish it, following such consultation as it considers appropriate. The statement is required to set out:

- a. whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- b. if they do so
  - i. the terms, structure and operational procedures of the delegation;
  - ii. the frequency of any committee or sub-committee meetings;
  - iii. whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and if so, whether those representatives have voting rights;
- c. the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying;
- d. details of the terms, structure and operational procedures relating to the local pension board established under The Regulations.

Each administering authority is required to:

- a. keep the statement under review;
- b. make such revisions as are appropriate following a material change in respect of any of the matters mentioned in points a. to d., above; and
- c. if revisions are made, publish the statement as revised.

In reviewing and making revisions to the

statement, the authority must consult such persons as it considers appropriate.

This Policy and Statement was made and approved by the Essex Pension Fund Board on 16 December 2015. There have been some changes to the governance arrangements since the previous Policy and Statement.

In 2013 the Public Service Pensions Act required that each public sector scheme establish a Pension Board. The subsequent amendments to The Regulations specify the role of the Board for LGPS funds. The Regulations require the creation of a Local Board to assist the scheme manager (in Essex Pension Fund's case, The Essex Pension Fund Strategy Board and the Essex Pension Fund Investment Steering Committee):

- to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- in such other matters as the LGPS regulations may specify.
- secure the effective and efficient governance and administration of the LGPS for the Essex Pension Fund;
- provide the Scheme Manager with such information as it requires in order to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.

## About The Essex Pension Fund

Under the Local Government Pension Scheme Regulations 2013, Essex County Council is required to maintain a pension fund ("the Fund") for its employees and those of other

Scheme Employers within its area.

Essex County Council therefore administers the Fund for its own employees and those of the 14 District/Borough/Unitary Councils and numerous other bodies. In total there are over 580 separate employing bodies in the Fund. The Fund excludes provision for teachers, fire-fighters and police officers, for whom separate arrangements exist but includes administrative and support staff for those organisations.

Benefits are prescribed by, and the Fund is invested in accordance with, the provisions of the following regulations under the Public Service Pensions Act 2013 (all as amended):

- Local Government Pension Scheme (LGPS) Transitional Provisions, Savings and Amendment Regulations 2014;
- Local Government Pension Scheme (LGPS) Regulations 2013;
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

and other saved provisions from previous sets of LGPS regulations.

With effect from 1 April 2014 employee contributions have been banded according to employees' annual pensionable pay. The rates payable vary from 5.5% to 12.5% of annual pensionable pay.

## Membership Summary as 31 March 2015

Active Members	50,965
Pensioner/Dependants	35,455
Deferred Members	44,038
Total	130,458

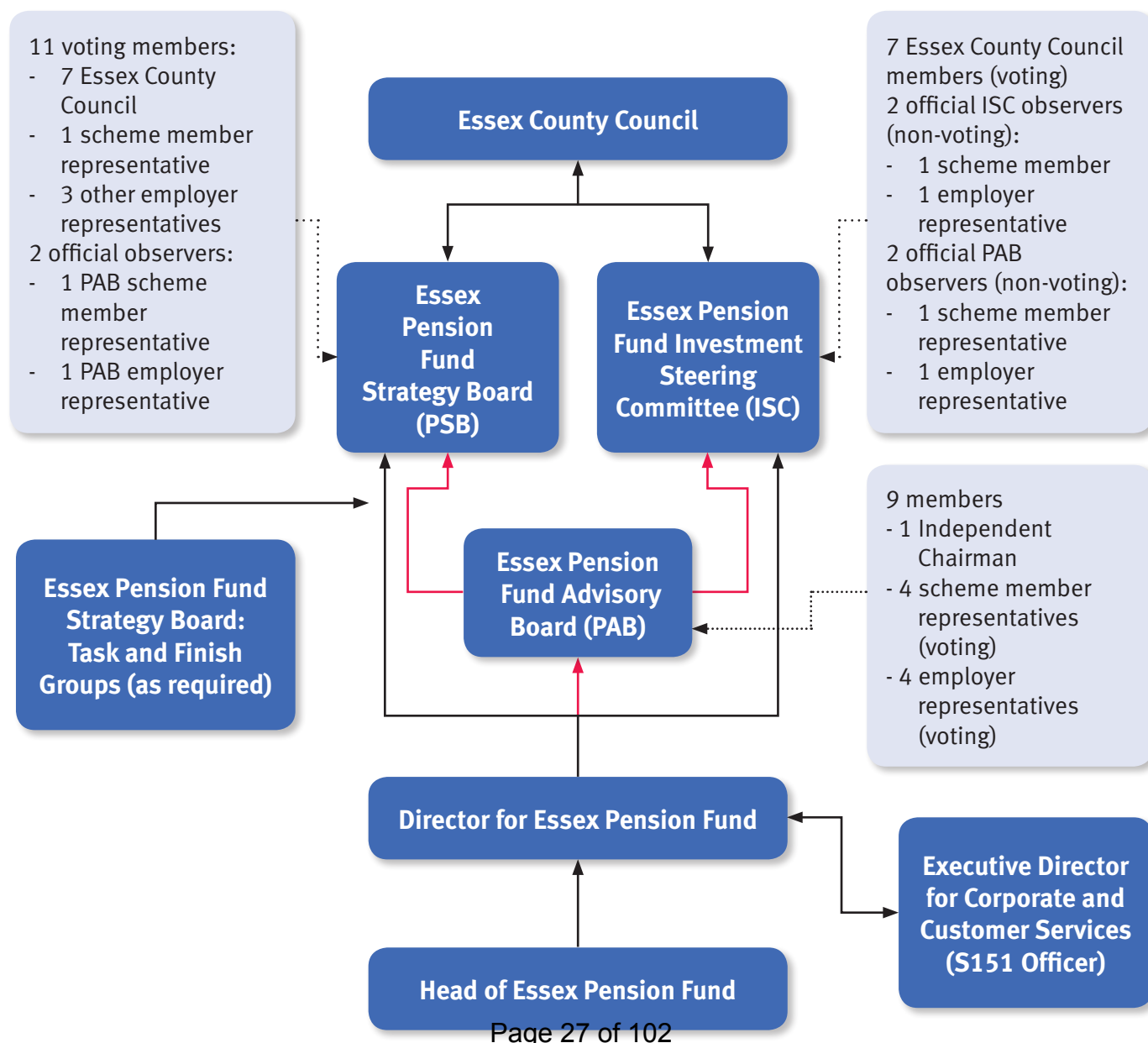
\* Deferred pensioners are former active members who have chosen not to transfer

their pension rights but retain their pension rights in the Essex Pension Fund until they are due for payment.

At the last triennial valuation of the Fund as at 31 March 2013 Fund assets were £3.958 billion, which represented 80% of the Fund's liabilities. Employers are responsible for paying employer contributions at rates determined by the fund actuary at each triennial valuation.

## Governance Structure

The Essex Pension Fund governance structure is illustrated below. This structure relates to the administering authority responsibilities only. Essex County Council is also an employer within the Essex Pension Fund. A separate governance structure and Scheme of Delegation is in place in relation to Essex County Council's employer responsibilities:



## Scheme of delegations for the Essex Pension Fund

Essex County Council (“the Council”) has delegated its functions in relation to the maintenance of the Essex Pension Fund as follows:

### 1. To the Essex Pension Fund Strategy Board (PSB) (formerly known as the Essex Pension Fund Board):

- i. To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Essex Pension Fund except where they have been specifically delegated by the Council to another Committee or to an officer. The delegation will include the following specific functions:
  - a. To monitor and oversee the work of the Investment Steering Committee through its quarterly reports.
  - b. To monitor the administration of the Pension Scheme, including compliance with The Regulations, to oversee the day to day administration and payment of pensions including the Internal Disputes Resolution Procedures. To ensure the Fund delivers best value and complies with best practice guidance where considered appropriate.
  - c. To exercise Pension Fund discretions on behalf of the Administering Authority.
  - d. To determine Pension Fund policy in regard to employer admission arrangements.
  - e. To determine the Pension Fund’s Funding Strategy and approve its Funding Strategy Statement.
  - f. To receive periodic actuarial

valuation reports from the Actuary.

- g. To coordinate Administering Authority responses to consultations by Central Government, professional and other bodies.
- h. To consider any views expressed by employing organisations and staff representatives.

### 2. To the Essex Pension Fund Investment Steering Committee (ISC):

- i. To approve and review annually the content of the Statement of Investment Principles.
- ii. To appoint and review Investment Managers, Custodian and Advisors.
- iii. To assess the quality and performance of each Investment Manager annually in conjunction with investment advisers and the Section 151 Officer.
- iv. To set the investment parameters within which the Investment Managers can operate and review these annually.
- v. To monitor compliance of the investment arrangements with the Statement of Investment Principles.
- vi. To assess the risks assumed by the Fund at a global level as well as on a manager by manager basis.
- vii. To approve and review the asset allocation benchmark for the Fund.
- viii. To submit quarterly reports on its activities to the Essex Pension Fund Board.
- ix. To approve the Fund’s Treasury Management Strategy.

### 3. To the Executive Director for Corporate and Customer Services (S151 Officer):

- i. To act as the Council’s officer appointed under section 151 of the Local

Government Act 1972 and to make such decisions as are necessary for the proper administration of the Council's financial affairs.

- ii. To be the Proper Officer under Section 151 of the Local Government Act 1972.
- iii. To be responsible for all the Council's powers and duties with respect to pensions including the Essex Pension Fund and the Council's involvement with other pension schemes

Note 1: The Executive Director for Corporate and Customer Services is not empowered to change the managers of the Pension Fund unless the Chief Executive agrees following a recommendation from the ISC.

Note 2: The operational procedures related to these functions are carried out by the Essex Pension Fund.

#### **4. To the Director for Essex Legal Services:**

To act as the administering authority for the purposes of the pensions complaints procedure.

Under the Public Service Pensions Act 2013, the Essex Pension Fund's Local Pension Board is known as the Essex Pension Fund Advisory Board (PAB). The functions of the PAB are set out in its terms of reference and are summarised below:

#### **The Essex Pension Fund Advisory Board**

- i. To assist the Administering Authority:
  - a. to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
  - b. to secure compliance with requirements imposed in relation

to the LGPS by the Pensions Regulator (tPR).

- ii. To secure the effective and efficient governance and administration of the LGPS for the Essex Pension Fund ("EPF").
- iii. To help ensure that the EPF is managed and administered effectively and efficiently and complies with the tPR's Code of Practice (CoP – "Governance and administration of public service pension schemes") No. 14.
- iv. To assist the Scheme Manager in this case the Administering Authority with such matters as the scheme regulations may specify.
- v. To be a "critical friend" to the PSB and the ISC.
- vii. To provide oversight of decisions made by the PSB to ensure that due process has been followed.
- viii. The Board may review any decision made by or on behalf of the Scheme Manager.
- ix. The Board will adopt a policy statement on reporting breaches identified under viii.
- x. At the invitation of the PSB, the Board may also undertake other tasks.
- xi. Appoint Observers to attend meetings of the PSB and the ISC.

## Board/Committee Representation

### The Essex Pension Fund Strategy Board (PSB)

The Essex Fund Pension Strategy Board is composed as follows:

Representing	No	Term of Office	Comments
Essex County Council	7	until 2017 County Council Elections	
District/Borough Councils in Essex	1	4 years (from May 2015 until 2019 District/Borough Council elections)	Nominated by Essex Borough and District Leaders/Chief Executives Meeting
Unitary Councils in Essex	1	4 years (from May 2015 until 2019 Unitary Authority elections)	One from either Southend-on-Sea and Thurrock Councils
Scheme Members	1	4 years from date of appointment	Nominated by UNISON
Smaller Employing Bodies	1	2 years, from Employer Forum 2015 until Employer Forum 2017	To be nominated following voting by either eligible employers attending the Employer Forum or election process
<b>Total</b>	<b>11</b>		
PAB Employer representative (observer)	1	A review of the PAB is due to commence by October 2016 with any changes implemented by May 2017.	PAB Nomination
PAB Employee representative (observer)	1		PAB Nomination

All members of the Board have equal voting rights.

The Strategy Board is supported in the execution of its responsibilities by staff from the Authority's Pension Fund function as well as an Independent Governance and Administration Adviser and other advisers as considered necessary (e.g. the Fund Actuary).

The Strategy Board meets five times a year with one of the meetings set aside for consideration of Pension Fund strategy matters. Additional Task and Finish Groups can meet as necessary to consider and report to the Board on matters that require further consideration.

The Strategy Board also has a dedicated training plan which includes specific internal training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

## The Essex Pension Fund Investment Steering Committee (ISC)

The Essex Pension Fund Investment Steering Committee is composed as follows:

Representing	No	Term of Office	Comments
Essex County Council (voting)	7	Until 2017 County Council Elections	
<b>Total</b>	<b>7</b>		
Employer representative (observer)	1	4 years (from May 2015 until 2019 District/Borough Council elections)	Nominated by Essex Borough and District Leaders/Chief Executives Meeting
Scheme Members (observer)	1	4 years from date of appointment	Nominated by UNISON
PAB Employer representative (observer)	1	A review of the PAB is due to commence by October 2016 with any changes implemented by May 2017.	PAB Nomination
PAB Employee representative (observer)	1		PAB Nomination

The Investment Steering Committee is supported in the execution of its responsibilities by two investment advisers (one independent and one institutional) and staff from the Authority's Pension Fund function.

The Committee meets routinely on six occasions each year. Four of those meetings are primarily to meet with investment managers in order to review the performance of the investment managers against their benchmarks but two meetings each year in February and July are set aside for the consideration of ongoing investment strategy.

In addition special meetings of the Committee are held when required for the discharge of its functions in regard to such matters as the selection and appointment of investment managers.



## The Essex Pension Fund Advisory Board (PAB)

The Essex Pension Fund Advisory Board is composed as follows:

Representing	No	Term of Office	Comments
Independent Chair (non-voting)	1	A review of the PAB is due to commence by October 2016 with any changes implemented by May 2017	
A review of the PAB is due to commence by October 2016 with any changes implemented by May 2017			
Essex County Council	1		
District/Borough Councils in Essex	1		Nominated by Essex Borough and District Leaders/Chief Executives Meeting
Unitary Councils in Essex	1		One from either Southend-on-Sea and Thurrock Councils
Smaller Employing Bodies	1		Essex Fire Authority
Scheme Members	3		2 deferred and 1 active member
Scheme Member	1		Nominated by UNISON
<b>Total</b>	<b>9</b>		

The Essex Pension Fund Advisory Board is appointed by Essex County Council as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013.

The Essex Pension Fund Advisory Board has no delegated decision making ability, on behalf of Essex County Council.

With the exception of the Chair, who has no vote, all members of the Board have equal voting rights.

There are no substitute members.

The Pension Advisory Board is supported in the execution of its responsibilities by staff from the Authority's Pension Fund function as well as advisers to the fund such as the Independent Governance and Administration Adviser and other advisers as considered necessary (e.g. the Fund Actuary, institutional investment adviser).

The Pension Advisory Board meets at least twice per year.



---

The Pension Advisory Board will follow the dedicated EPF training plan which includes specific internal training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

The Pension Advisory Board reports its activities at the end of each financial year to the Authority and will be publicly disclosed.

## Governance Compliance Statement: Section 101 Committees

As can be seen, Essex Pension Fund governance arrangements in respect of the PSB and ISC are fully compliant with the latest guidance issued by the Secretary of State for Communities and Local Government (issued in 2008):

Description of Principle	Essex Pension Fund's Position	Future Action
<b>A Structure</b> (a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council. (b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee. (c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels. (d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	<p>The Essex Pension Fund Strategy Board was established as the Essex Pension Fund Board in 2008, changing its name on 1st April 2015 following the formation of the Essex Pension Fund Advisory Board. It is an overarching body to oversee the functions of the County Council as Administering Authority of the Fund, except where they have been specifically delegated to another committee or officers.</p> <p>Its functions include monitoring the administration of the Pension Scheme, exercising Pension Fund discretions and determining Pension Fund policy towards employer admission arrangements. Membership of the Pension Strategy Board is drawn from the County Council as well as other scheme employers and member representatives. All representatives have full voting rights and receive appropriate training and development.</p> <p>In addition to the Pension Strategy Board the Fund has also put in place an Investment Steering Committee (ISC). The role of the ISC is to oversee and approve all matters related to the Fund's investments. Their main role is to decide asset allocation, appoint investment managers and periodically review and monitor investment manager performance. All decisions of the ISC are ultimately ratified by the Pension Strategy Board.</p>	<p>The Fund has developed a rolling three year business plan, which includes the training, development and effectiveness of the Pension Strategy Board and ISC. This plan is reviewed quarterly.</p>
<b>A Structure</b>	<p>Membership of the ISC is drawn from the County Council representatives of the Pension Strategy Board, all of which have full voting rights as well as employer and member representatives from the Pension Strategy Board (who have observer status only).</p>	

Page 34 of 102

Description of Principle	Essex Pension Fund's Position	Future Action
<p><b>B Representation</b></p> <p>(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> <li>(i) employing authorities (including non-scheme employers, e.g. admitted bodies);</li> <li>(ii) scheme members (including deferred and pensioner scheme members);</li> <li>(iii) independent professional observers;</li> <li>(iv) expert advisers (on an ad hoc basis).</li> </ul> <p>(b) that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>The terms of reference of both the Pension Strategy Board and the ISC set out the term of office for individual members. The terms of reference of the Pension Strategy Board also sets out the mechanism by which representatives from different sectors of scheme employers are able to volunteer for membership of the Pension Strategy Board. For example:</p> <ul style="list-style-type: none"> <li>• Member representatives are nominated by the individual unions; and</li> <li>• Small employing body representatives are nominated following voting by eligible employers attending the Pension Fund Employer Forum</li> <li>• District and Borough Council representatives are nominated by the Leaders/Chief Executives of those organisations.</li> </ul> <p>All members of the Pension Strategy Board and ISC are treated equally in terms of provision of meeting papers, opportunity to contribute (full voting rights on the Pension Strategy Board) and knowledge and skills training.</p> <p>In addition, the Pension Strategy Board has appointed an independent governance and administration adviser to assist the Pension Strategy Board and its officers.</p>	
<p><b>C Selection and Role of Lay Members</b></p> <p>(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>	<p>This is clearly set out in the terms of reference of both the Pension Strategy Board and ISC.</p>	<p>Continually monitor and review to ensure that the functions of the Pension Strategy Board and ISC remain appropriate.</p>

Description of Principle	Essex Pension Fund's Position	Future Action
<b>C Selection and Role of Lay Members</b>  (b) that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.		
<b>D Voting</b>  (a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<p>All members of the Pension Strategy Board have full voting rights. While voting rights of the ISC is limited to the County Council members only, this reflects the fact that ultimately it is the County Council that has the legal responsibility to pay all benefits from the Fund.</p> <p>The observer members of the ISC will of course have full voting rights as members of the PSB, when considering any decisions taken by the ISC that are subsequently referred to the PSB.</p>	Continually monitor and review to ensure appropriate.
<b>E Training/ Facility Time/ Expenses</b>  (a) that in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.  (b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	<p><b>Training</b> The Fund has put in place a comprehensive knowledge and skills training strategy in place, which covers all aspects of the CIPFA knowledge and skills framework.</p> <p>The document sets out the strategy agreed by the Pension Strategy Board concerning the training and development of:</p> <ul style="list-style-type: none"> <li>all the members of the Pension Strategy Board and the ISC; and</li> <li>the officers of the Essex Pension Fund responsible for the management of the Fund.</li> </ul> <p>The training strategy was established to aid members of the Pension Strategy Board and the ISC in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the decision making responsibility put upon them</p>	A training plan has been formed and will be rolled out from 2016.

Description of Principle	Essex Pension Fund's Position	Future Action
<p><b>E Training/ Facility Time/ Expenses</b></p>	<p>In addition the Pension Fund has developed a full training strategy and plan, which ensures the Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise and that they act with integrity and accountability to all stakeholders and decisions, ensuring they are robust and well-based.</p> <p><b>Facility Time/ Expenses</b>  PSB members who are also elected members of Essex County Council will be subject to the Essex County Council Members' Allowance Scheme as set out in the Council's constitution.</p> <p>PSB members who are elected members of local authorities participating in the Essex Pension Fund will be subject to the policies and constitution that apply in respect of the Council of which they are members.</p> <p>PSB members who are not elected members will be entitled to claim travel and subsistence allowances equivalent to the Essex County Council Members' Allowance Scheme as set out in the Council's constitution. Expenses will only be payable in connection with PSB business and will be met by the EPF.</p> <p>Employers of a PSB member are encouraged to allow facilities' time where relevant.</p> <p>All costs associated with attendance at training courses, conferences, and seminars away from County Hall, for all PSB members, will be met by the EPF. Events must be relevant, in line with the Fund's training strategy and be approved by the Director of the EPF.</p>	<p>A training plan has been formed and will be rolled out from 2016.</p>

Description of Principle	Essex Pension Fund's Position	Future Action
<p><b>F Meetings – Frequency</b></p> <p>(a) that an administering authority's main committee or committees meet at least quarterly.</p> <p>(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p> <p>(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	<p>The Pension Strategy Board and ISC meet a minimum of four times a year.</p> <p>Meetings of both the Pension Strategy Board and ISC are arranged so that outputs from the ISC are available to the Pensions Strategy Board in a timely manner.</p>	
<p><b>G Access</b></p> <p>(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	<p>All members of the Pension Strategy Board and ISC are provided access to all committee papers and documentation via the Pension Fund's on-line portal infoBOARD.</p>	

Description of Principle	Essex Pension Fund's Position	Future Action
<b>H Scope</b> (a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	The role of the Pension Strategy Board is to consider all aspects of the management and administration of the Essex Pension Fund. While certain day-to-day responsibilities have been delegated to officers and investment decisions to the ISC, via the County Council's scheme of delegation the Pension Strategy Board's remit includes monitoring the administration of the pension team, exercise of administering authority discretions and determining the Fund's policy in relation to the admission of new employers.	
<b>I Publicity</b> (a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Full details of the governance arrangements of the Essex Pension Fund are contained within this Statement as well as additional detail being included within the Pension Fund Annual Report, which is available on the Fund's website <a href="http://www.essexpensionfund.co.uk">www.essexpensionfund.co.uk</a> .	

## Governance Compliance Statement: Essex Pension Fund Advisory Board

At present the latest guidance issued by the Secretary of State for Communities and Local Government does not extend to the governance arrangements of the newly formed local Board, the Essex Pension Fund Advisory Board (PAB). The following table sets out how the PAB complies with the requirements applicable to local pension boards, as set out in the LGPS Regulations, Scheme Advisory Board Guidance and The Pensions Regulator's Code of Practice No. 14.

Requirement	Essex Pension Fund's Position	Future Action
<b>A - LGPS 2013 Regulations</b>		
Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.	The PAB has been set up as a separate, stand-alone Board. Essex County Council has not taken steps to seek Secretary of State approval for the setting up of a joint arrangement with the PSB.	The County Council will monitor, with interest, the success of any scheme manager that does receive Secretary of State approval to the setting up of a joint arrangement.
Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.	The Essex Pension Fund is solely managed by Essex County Council.	
Only employer and scheme member representatives shall be entitled to vote	Although the PAB has an independent Chair voting rights only extend to the employer and member representatives	
The administering authority has established a fair and transparent process for the appointment of local pension board members	<p>The terms of reference of the PAB set out the term of office for individual members. The terms of reference of the PAB also sets out the mechanism by which representatives from different sectors of scheme employers are able to volunteer for membership of the PAB. For example:</p> <p>Employers Representatives</p> <ul style="list-style-type: none"> <li>District and Borough Council representatives are nominated by the Leaders/Chief Executives of those organisations; and</li> <li>Small employing body representatives are nominated following voting by eligible employers attending the Pension Fund Employer Forum.</li> </ul>	



Requirement	Essex Pension Fund's Position	Future Action
	<p>Member Representatives</p> <ul style="list-style-type: none"> <li>• Member representatives are nominated by the individual unions; and</li> <li>• by members individually.</li> </ul> <p>All members of the PAB are treated equally in terms of provision of meeting papers, opportunity to contribute (full voting rights) and knowledge and skills training.</p> <p>In addition, the Pension Strategy Board has appointed an independent governance and administration adviser to assist the both the PSB and its officers.</p>	
The local pension board consists of at least 4 members of whom 2 are employer representatives and 2 scheme member representatives	<p>The PAB includes a membership of 4 employer and 4 member representatives and an independent Chair. Each of the 4 employer and 4 member representatives has equal voting rights. The independent Chair has no voting rights.</p> <p>The PAB has no decision making powers.</p>	
Employer and scheme member representatives have the capacity to represent their constituency.	<p>The Fund has put in place a comprehensive knowledge and skills training strategy in place, which covers all aspects of the CIPFA knowledge and skills framework.</p> <p>The document sets out the strategy agreed by the PAB concerning the training and development of its members.</p> <p>The training strategy was established to aid members of the PAB in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the responsibilities put upon them.</p>	A training plan has been formed and will be rolled out from 2016.

Requirement	Essex Pension Fund's Position	Future Action
	In addition the Pension Fund has developed a full training strategy and plan, which ensures the Pension Fund, is managed, and its services delivered, by people who have the appropriate knowledge and expertise and that they act with integrity and accountability to all stakeholders and decisions, ensuring they are robust and well-based.	
Where the local pension board is not a joint body also exercising delegated decision making powers; a) no officer or elected member of the administering authority who is also responsible for the discharge of functions under LGPS 2013 may be a member of the local pension board, and b) any elected member of the administering authority who is a member of the pension board must be an employer or scheme member representative.	No officer or elected member on the PAB has any responsibility for the discharge of function under the LGPS Regulations as part of their normal duties.	
No person to be appointed to the pension board may have a conflict of interest.	All members of the PAB are required to adopt and adhere to the County Council's published conflict of interest policy. Where any conflict or potential conflict is identified it must be declared and any remedial action taken to resolve the conflict or potential conflict must be carried out in accordance with the County Council's stated conflicts policy in place at that time	
No member of a pension board may have a conflict of interest.	All members of the PAB are required to adopt and adhere to the County Council's published conflict of interest policy. Where any conflict or potential conflict is identified it must be declared and any remedial action taken to resolve the conflict or potential conflict must be carried out in accordance with the County Council's stated conflicts policy in place at that time.	

Requirement	Essex Pension Fund's Position	Future Action
<b>B – Training</b>		
There is a clear policy on training which complies with the Pension Regulator's code of practice no. 14	<p>The Fund has put in place a comprehensive knowledge and skills training strategy in place, which covers all aspects of the CIPFA knowledge and skills framework.</p> <p>The document sets out the strategy agreed by the PAB concerning the training and development of its members.</p> <p>The training strategy was established to aid members of the PAB in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the responsibilities put upon them.</p> <p>In addition the Pension Fund has developed a full training strategy and plan, which ensures the Pension Fund, is managed, and its services delivered, by people who have the appropriate knowledge and expertise and that they act with integrity and accountability to all stakeholders and decisions, ensuring they are robust and well-based.</p>	
<b>C – Expenses and facility time</b>		
There is a clear policy on the reimbursement of expenses and use of facility time.	<p>Provision has been made in the accounting procedures to identify the costs incurred in the establishment and operational costs of the local pension board. Participating employers are also encouraged to allow facilities' time where relevant.</p> <p>PAB members who are also elected members of Essex County Council will be subject to the Essex County Council Members' Allowance Scheme as set out in the Council's constitution.</p>	

Requirement	Essex Pension Fund's Position	Future Action
	<p>PAB members who are elected members of local authorities participating in the Essex Pension Fund will be subject to the policies and constitution that apply in respect of the Council of which they are members.</p> <p>PAB members who are not elected members will be entitled to claim travel and subsistence allowances equivalent to the Essex County Council Members' Allowance Scheme as set out in the Council's constitution. Expenses will only be payable in connection with PAB business and will be met by the EPF.</p> <p>Employers of a PAB member are encouraged to allow facilities' time where relevant.</p> <p>All costs associated with attendance at training courses, conferences, and seminars away from County Hall, for all PAB members, will be met by the EPF. Events must be relevant, in line with the Fund's training strategy and be approved by the Director of the EPF</p>	
<b>D – Conduct of members</b>		
The members of a Local Pension Board should have regard to the 'Seven Principles of Public Life' ("the Nolan Principles").	All members of the PAB will have been made aware of the Seven Principles of Public Life as part of their initial induction and as part of regular reminders in ongoing training and development.	
<b>E – Reporting Breaches</b>		
There should be a policy in place for the reporting of breaches of the law.	It is the responsibility of all members of the PAB to understand their individual and collective responsibilities in this area and to familiarise themselves with the steps they should follow in the event a breach of the law is suspected.	
<b>F – Internal reporting</b>		
There should be a clear mechanism for the Pension Board to report its requests, recommendations or concerns	This is covered within the PAB terms of reference.	

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

## Update on Pension Fund Activity

Joint Report by the Director for Essex Pension Fund & Head of Essex Pension Fund  
Enquiries to Kevin McDonald on 03330 138488 and Jody Evans on 03330 138489

---

### 1. Purpose of the Report

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

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

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

- 2018/19 business plan

### 2. Recommendations

2.1 That the Board notes:

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

2.2 That the board agrees:

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

### 3. Background

3.1 The following documents accompany this report:

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

### 4. Related matters subject to separate agenda items

4.1 Matters subject to separate agenda items include:

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

### 5. Business Plan 2017/18 & 2018/19

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

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

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

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

## **6. 3 year Business Plan**

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

## **7. Risk Register**

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

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

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

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

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

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

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

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

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

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

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

## **8. Scorecard**

8.1 The scorecard is shown at Annex C.

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

## **9. Link to Essex Pension Fund Objectives**

9.1 Monitoring Pension Fund activity via the business plan, risks and scorecard assists the Fund in achieving all of its objectives, and in particular:

- Provide a high quality service whilst maintaining value for money
- Understand and monitor risk and compliance
- Continually measure and monitor success against our objectives

## **10. Risk Implications**

10.1 Key risks are identified at Annex B

## **11. Communication Implications**

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

## **12. Finance and Resources Implications**

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

## **13. Background Papers**

13.1 None.



## Essex Pension Fund Business Plan 2017/18 Proposed actions for Business Plan 2018/19

### Governance

#### Objectives:

- Provide a high quality service whilst maintaining value for money
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Evolve and look for new opportunities that may be beneficial for our stakeholders, 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 March 2018	2018/19 Business Plan
1. Annual business plan will be put in place.	Proposed actions for 2017/18 business plan actions were approved at March 2017 Board.	DfEPF & HoEPF	Complete.	Draft 2018/19 Business plan actions set out below are presented to 7 March 2018 Board for approval.
2. Further roll out of training and training needs assessments	Training & training needs assessments will continue in 2017/18.  Specific provision will be made for any new Board Members.	Fund officers  IGAA	In progress –  2017/18's PSB training concludes with a governance presentation at March meeting.	Training & training needs assessments will continue in 2018/19.

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
3. Board members' knowledge centre	A web based facility for Members is in place.	HoEPF	Complete.	Incorporated into the wider assessment of training needs for 2018/19 (Action 2).
4. Annual review of governance policy	Review governance policy to ensure it is relevant and up to date, including the governance compliance statement.	DfEPF, HoE PF & IGAA	In progress –  A separate item on this matter appears elsewhere on the agenda.	During 2018/19 the PSB will review the Annual Governance Policy and Compliance statement.
5. Annual review of Pension Fund Board	Review the effectiveness of the Pension Fund Board and the services supplied to it	DfEPF, HoEPF & IGAA	Deferred until 2018/19.	Members will be canvassed for their views on the PSB's effectiveness during 2018/19.

## Investments

### **Objectives:**

- To maximise the returns from investments within reasonable risk parameters
- To ensure the Fund is properly managed
- Ensure investment issues are communicated appropriately to the Fund's stakeholders

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
6. Review of asset allocation	A review will form part of the Asset Liability Study undertaken after the completion of the 2016/17 Actuarial Valuation process.	DfEPF	Complete.	Reviews to take place in July 2018 and February 2019.
7. Implement any review of investment allocation arrangement.	Implement the any decisions taken by the ISC strategy in light of the Asset Liability Study.	DfEPF	In progress –  The agenda for the 7 March PSB includes an item on this matter.	Any asset allocation decisions made by the ISC will be implemented as required during 2018/2019.
8. To review investment management fees	Ensure that fee monitoring arrangements form part of the annual review of performance.	DfEPF	Complete –  A report was brought to the February meeting of the ISC.	A review is scheduled for 2018/19.

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
9. Review the Investment Strategy Statement (ISS)	<p>A draft ISS was published in late March 2017 and a stakeholder consultation launched between late April and 22 June.</p> <p>The responses to the stakeholder consultation were considered at the 19 July meeting of the ISC.</p> <p>The final agreed ISS has now been published at:  <a href="http://www.essexpensionfund.co.uk/media/2970/investment-strategy-statement-2017.pdf">http://www.essexpensionfund.co.uk/media/2970/investment-strategy-statement-2017.pdf</a></p>	DfEPF	Complete for 2017/18.	The ISS will be kept under review.
10. Respond to the requirements of LGPS structural reform process	Developments in relation to LGPS structural reform will be monitored	DfEPF	<p>In progress –</p> <p>The agenda for the 7 March PSB includes an item on this matter.</p>	Progress reports on the Fund's involvement with the ACCESS pool will feature throughout 2018/19.

# Funding

## Objectives

- 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 have consistency between the investment strategy and funding strategy
- To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives
- Maintain liquidity in order to meet projected net cash-flow outgoings
- Minimise unrecoverable debt on termination of employer participation

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
11. Interim Review as at 31 March 2017.	An interim review of the Fund as at 31 March 2017 will be commissioned from the Actuary.	HoEPF & DfEPF	Complete.	Interim review as at 31 March 2018.
12. Review Funding Strategy Statement	Consideration will be given to whether the Funding Strategy requires review in the light of the results of the Interim Review.	HoEPF & DfEPF	In progress –  A separate item on this matter appears elsewhere on the agenda.	The Funding Strategy will be reviewed in light of the 31 March 2018 interim review.
13. Employer participation	Employer participation and membership of the Essex Pension Fund will be monitored on an on-going basis.	HoEPF & DfEPF	Complete for 2017/18.	Employer participation will continue to be reviewed during 2018/2019.

## Administration

### **Objectives:**

- Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
- Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount
- Data is protected to ensure security and authorised use only

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
14. Complete the annual end of year data exercise as at 31 March	Complete year end accounting, gather information from employer and update UPM, and produce annual benefit statements.	HoEPF	Complete for 2017/18.	Complete year end accounting, gather information from employers and update UPM, and produce annual benefit statements.
15. Administration Strategy	The Administration Strategy will be monitored annually.	HoEPF	In Progress –  A separate report on this matter appears elsewhere on the 7 March 2018 agenda	A review of the Administration Strategy will be completed during 2018/2019.

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
16. Auto Enrolment – Work based Pensions	Monitor developments and maintain dialogue with Pension Fund employers throughout the process of auto enrolment implementation. (Staggered staging dates apply to all employers – depending on size – between January 2012 and October 2017.	HoEPF	Complete –  The initial cycle of staging dates and the Implementation of the transitional arrangements in October 2017 is now finalised. The ongoing arrangements for Auto Enrolment are now BAU.	Action ceased in 2017/2018  Not an Action for 2018/2019.
17. Implementation of UPM (administration system)	Ongoing phased implementation will continue through 2017/2018.	HoEPF	Complete for 2017/18.	To date 15,000 Members have been invited to use “Member on line” and 4925 have registered.  221 Employers have also registered and are using “Employer on line”
18. Review of staffing structure	A review is scheduled to take place during 2017/18.	DfEPF & HoEPF	In progress –  A staff consultation on a revised structure is scheduled to begin in early 2018.	The new structure will formally commence in 2018/19.

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
19. Confirmation of GMP entitlement	Confirming the GMP (Guaranteed Minimum Pension) element of all scheme members' entitlement is required to be completed by 2017/18	HoEPF	Complete for 2017/18.	The project will continue in 2018/19.  Updates on the project's completion date will be brought to future PSB meetings.
20. Implementation of GDPR  NEW action for 2018/19	Review of our systems and data handling to ensure compliance with the new GDPR regime which supersedes the Data Protection Act requirements on 25 May 2018	HoEPF	Action commencing in 2018/19.  Not an action in 2017/18.	Review systems and data handling to ensure compliance with GDPR



## 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 employers

Action	How will this be achieved?	Officer managing action*	Progress as at March 2018	2018/19 Business Plan
21. Monitor Communications Policy	The communications policy will be reviewed during 2017/2018	HoEPF &CM	Deferred until 2018/19.	A review of the communications policy will be held in 2018/19 after the new staffing structure has commenced.
22. Communication GMP entitlement	All Employees involved will be communicated with confirming the GMP (Guaranteed Minimum Pension) element of their Pension entitlement.	HoEPF &CM	In progress – The project will continue in 2018/19.  Specific communications are planned for the end of 2018 in line with HMRC.	The project will continue in 2018/19.  Specific communications are planned for the end of 2018 in line with HMRC.

# Essex Pension Fund Strategy Board

## 3 Year Business Plan

### April 2018 to March 2021

Area of activity	2018/19	2019/20	2020/21
<b>Governance</b>			
Business plan	March for the following year	March for the following year	March for the following year
Members' knowledge and understanding <ul style="list-style-type: none"> <li>Training needs assessment (TNA)</li> <li>Prepare &amp; implement training strategy</li> </ul>	Ongoing September	Ongoing	Ongoing
Governance review	March (starts)	March	March
Annual Statement of Accounts	July (draft) September (Final)	July (draft) September (Final)	July (draft) September (Final)
Employer Forum(s)	Spring/Summer	October (onwards)	Spring/Summer
Review scorecard & risk register	Quarterly	Quarterly	Quarterly
Administering Authority discretions and delegations review		September onwards (review)	
Employing Authority discretions and delegations review		September onwards (review)	
Communications policy review	July		July

Area of activity	2018/19	2019/20	2020/21
<b>Investment</b>			
Strategic asset allocation review	July & February	July & February	July & February
Asset/Liability study		March	
Investment Strategy Statement of review	As required	As required	As required
Review investment management fees	February	February	February
Individual manager review	Quarterly	Quarterly	Quarterly
<b>Funding</b>			
Actuarial Valuation 2019	Preparation	April – March	Implementation
Interim funding review	September		December
Funding Strategy Statement review	September	July – March	September
Admission/employer participation/bulk transfer policy	Ongoing	Ongoing	Ongoing
<b>Administration</b>			
LGPS reform – planning for administration changes	Ongoing	Ongoing	Ongoing
Review/Procurement of IT System	Ongoing (Phased installation)	Ongoing (Phased installation)	Ongoing (Phased installation)
End of year data exercise	April – August	April – August	April – August
Auto-enrolment / work based pensions	Re – enrolling Rolling Employer staging dates	Re – enrolling Rolling Employer staging dates	Re – enrolling Rolling Employer staging dates
<b>Communications</b>			
LGPS reform	Ongoing	Ongoing	Ongoing
Implement communications policy	Ongoing	Ongoing	Ongoing
infoBOARD and usage	Ongoing	Ongoing	Ongoing

**ANNEX B**

Category	Objective	Risk Ref:	Description of Risk of not Achieving the Objective	Residual Impact	Residual Probability	Residual Risk	Previous Risk Score	Risk Owner	Comments, Actions and Recommendations
Governance	Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	G7	Failure of succession planning for key roles on PSB	3	2	6	6	Sophie Campion	The Board's approach to training is based around the CIPFA Knowledge & Skills Framework and is aimed at minimising any adverse impacts of failure in succession planning. The immediate past Chairman is currently undertaking a 6 month role as Specialist Consultant ending December 2017.
Governance	Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times	G12	Insufficient staff causes failure to free up time to look for other best practice areas then opportunities may be missed	2	3	6	6	Kevin McDonald /Jody Evans	A consultation on a revised staffing structure commenced in late January 2018.
Investments	To maximise the returns from investments within reasonable risk parameters	I1	If investment return is below that assumed by the Actuary in funding the plan this could lead to an increasing deficit and additional contribution requirements. The larger the level of mismatch between assets and liabilities the bigger this risk.	3	3	9	9	Kevin McDonald	Diversified portfolio; Annual Strategy Review; Asset Liability Study, extended recovery periods to smooth contribution increases.
Investments	To ensure the Fund is properly managed	I16	The implementation of MiFID II (January 2018) leads to the Fund being categorised by some / all of its service providers as a 'retail client' - the result of which could reduce the range of sub asset classes in which the Fund is able to invest, and may even require divestment from the current portfolio.	3	2	6	8	Kevin McDonald	The Fund has now completed and received confirmation of the relevant MiFID II "opt ups" to Elective Professional status for all asset mandates. Further opt ups will be required in due course for new mandates and pooling sub funds.
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	3	3	9	9	Kevin McDonald	Annual reviews to enable consideration of the position and the continued appropriateness of the funding/investment strategies and to monitor the exposure to unrewarded risks.

**ANNEX B**

Category	Objective	Risk Ref:	Description of Risk of not Achieving the Objective	Residual Impact	Residual Probability	Residual Risk	Previous Risk Score	Risk Owner	Comments, Actions and Recommendations
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	3	2	6	6	Kevin McDonald	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.
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	3	2	6	6	Kevin McDonald	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
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	3	2	6	6	Kevin McDonald	
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)	3	2	6	6	Kevin McDonald / Jody Evans	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.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A1	Failure to administer scheme in line with Regulations and policies (owing to IT system issues)	3	2	6	6	Kevin McDonald / Jody Evans	The Fund is currently implementing both "Member online" & "Employer online" modules of theUPM system. User Acceptance Testing is ongoing at staged intervals.

**ANNEX B**

Category	Objective	Risk Ref:	Description of Risk of not Achieving the Objective	Residual Impact	Residual Probability	Residual Risk	Previous Risk Score	Risk Owner	Comments, Actions and Recommendations
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A6	Fund's resources not able to match the demands of providing the service.	3	3	9	9	Kevin McDonald / Jody Evans	A consultation on a revised staffing structure commenced in late January.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A17	Failure to administer scheme in line with Regulations and policies - Brewster test case in Northern Ireland re: surviving co-habiting partners with no nomination for surviving partners pension. In Essex, a parrallel case - the first in English Law - was brought by Ms Elmes against Essex CC in its capacity as administering authority for the Essex Pension Fund.	3	2	6	9	Jody Evans	In January 2018, in a ruling establishing precedent across the LGPS in England & Wales, and following a common submission from both claimant & defence counsels, Mr Justice Walker ordered that the requirements for a nomination under Regulation 24 & 25 of the LGPS Regulations 2007 were incompatible with article 1 of the European Convention of Humans Rights and must therefore be disapplied.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A18	Unable to meet Actuarial Valuation deadlines or produce Annual Benefit Statements for active Scheme Members in line with Regulatory deadlines due to lack or late provision of data from employers	4	2	8	8	Jody Evans	2017/18 exercise will commence with communications regarding a timetable, requirements and spreadsheet to employers along with encouragement to employers to engage with Fund Officers.
Communications	Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	C1	Increase in enquiries from Scheme Member resulting in increased workload for Fund officers	2	3	6	6	Kevin McDonald /Jody Evans	Whilst the volume of phone enquiries stemming from Freedoms & Flexibilities (for DC schemes) has now reduced, a number of detailed discussions on individual cases remain and represent a significant workload.

## Essex Pension Fund Scorecard - 7 March 2018

### 1. GOVERNANCE

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

5

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

3

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.

1

1.4 - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based

1

3

1.5 - Understand and monitor risk and compliance

5

### 2. INVESTMENTS

2.1 - Maximise returns from investments within reasonable risk parameters

1

4

2.2 - Ensure the Pension Fund is properly managed (ISC attendance, skills and governance arrangements)

1

1

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

5

### 3. FUNDING

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

1

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

2

3.3 - To have consistency between Investment and Funding strategies

2

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.

1

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

1

3.6 - Minimise unrecoverable debt on termination of employer participation

1

1

### 4. ADMINISTRATION

4.1 - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.

3

11

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

2

4.3 - Ensure proper administration of financial affairs

1

1

4.4 - Compliance with Fund's governance arrangements

2

3

### 5. COMMUNICATIONS

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

4

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

2

5

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.

1

1

### Key

G

= on or exceeding target

Gy

= data not currently available / work in progress

A

= missing target but within agreed tolerance

R

= missing target by more than agreed tolerance

# 1.1 - Provide a high quality service whilst maintaining value

**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

## Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.1.1 Cost per scheme member	1st	quartile	G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Dec)
1.1.2 Number of scheme member complaints	5		G	G	5 or under	20 or under	Low	Quarterly
1.1.3 Number of scheme member compliments	15		G	G	15 or more	60 or more	High	Quarterly
1.1.4 Scheme member survey - % of positive answers	99.8%	%	G	G	95%	95%	High	Annual (Dec)
1.1.5 Employer survey - % of positive answers	97.2%	%	G	G	95%	95%	High	Annual (Dec)

## Rationale for performance status and trend

1.1.1. Cost per member was £15.71 in 2016/17 compared to the CIPFA Benchmarking average of £20.14.

1.1.2. The number of complaints received in the 3 months to 31 December 2017 was 5.

1.1.3. The number of compliments received in the 3 months to 30 September 2017 was 15.

1.1.4. 500 scheme members (employees) were invited to participate in a seven question survey conducted in April 2017. 122 members returned completed survey's resulting in a total of 1,586 answers, of which 11 were negative responses. The remaining 1575 (99.3%) were positive. The previous survey has a 97.8% positive responses.

1.1.5. 496 employers (378 employers in 2015) were invited to participate in a 12 question (10 questions in 2015) survey conducted in June 2017. Of 154 responses 4 were negative which resulted in a 97.2% positive response rate. The previous survey has a 95.2% positive response.



## 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:** Ian Myers/Jody Evans/Ian Colvin

Status								
	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity	Frequency
1.2.1 Members training	Target exceeded		G	G	90%	90%	High	Quarterly
1.2.2 Board Member attendance at Board meetings	80%	%	G	G	80%	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 exceeded the 90% target.

1.2.2 This represents attendance at Board meetings over the last twelve months.

1.2.3. Supporting Success / Perform objectives are in place for all staff working on the Essex Pension Fund by 31 July 2017.

## 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	52% Complete 48% in progress	A	A	70% Complete, 30% in progress	100% complete	High	Quarterly

### Rationale for performance status and trend

1.3.1 Against a total of 21 actions or projects for the year:

- 11 (52%) complete
- 1 (5%) in progress, completing in 2017/18
- 9 (43%) in progress, continuing into 2018/19

The business plan is detailed in Annex A (i) 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 EPFB 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:** Sophie Campion

**Data lead:** Sophie Campion

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		G	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 At the meeting of ECC on 12th December the Non Aligned Group confirmed its nomination of Cllr Blackwell.  
Yes = green; No = red.

1.4.4 There is currently a vacancy on the Pension Advisory Board.  
In January 2018 Mrs Jenny Hunt tendered her resignation from the PAB and the proposed approach to filling the resulting vacancy will be outlined at the PSB meeting on 7 March.

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:** Kevin McDonald & Jody Evans

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
<b>1.5.1</b> Number of internal audit reviews finding limited/no assurance	0		G	G	0	0	Low	Annual
<b>1.5.2</b> Number of internal audit recommendations outstanding	0		G	G	0	N/A	Low	On-going
<b>1.5.3</b> Percentage of risks on the risk register with a residual score that is classified as amber	17	%	G	G	<20%	<20%	High	Quarterly
<b>1.5.4</b> Percentage of risks on the risk register with a residual score that is classified as red	0	%	G	G	0%	0%	High	Quarterly
<b>1.5.5</b> 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 all internal audits conducted in the last 12 months and covers 2016/2017.

**1.5.2** The 2016/17 internal audit reports for Pensions Investment and Pensions Administration has no outstanding recommendations.

**1.5.3** The Fund currently has 83 risks in its register, of which 14 have a residual score that is classified as amber (14 in December). 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 83 risks in its register, none of which has a proposed residual score that is classified as red. (0 in December). Measurement: 0% = green; above 0% = red

**1.5.5** There are no significant recommendations for Members to note in the 2016/17 Annual Results Report from EY.

## 2.1 - Maximise returns from investments within reasonable risk parameters

Data as at: 31 March 2017

**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	3rd	ranking	A	A	1st	1st	High
2.1.2 Annual Return compared to Benchmark	20.1	%	G	G	17.6%	17.6%	High
2.1.3 Five year (annualised) return compared to Benchmark	11.7	%	G	G	6.5%	6.5%	High
2.1.4 Five year (annualised) return compared to central expected return of current investment strategy	11.7	%	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	11.7	%	G	G	7.2%	7.2%	High

### Rationale for performance status and trend

2.1.1. Local Authority performance data is no longer available via State Street. The Essex Pension Fund with 20.1% was ranked 3rd out of 6 of the peer group which consists of Kent, Suffolk, Norfolk, Cambridgeshire & Bedfordshire. The lowest return within the group was 17.3%

2.1.2 The annual return of 20.1% was above the benchmark of 17.6%.

2.1.3 The five year return of 11.7% was above the benchmark.

2.1.4 The five year return of 11.7% was above the central expected return of the current investment strategy.

2.1.5 The five year return of 11.7% was above the expected return of the current investment strategy including investment manager outperformance.

The next update will be given in the December scorecard.

## 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:** Samantha Andrews & Ian Colvin

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
2.2.1 ISC Member attendance at ISC meetings	72	%	A	A	80%	80%	High	Quarterly
2.2.2 ISC Members training	Target exceeded		G	G	90%	90%	High	Quarterly

### Rationale for performance status and trend

**2.2.1** . This represents attendance at ISC meetings between 1 March 2017 and 21 February 2018. It includes Appointment Sub Committees and new member induction sessions.

**2.2.2** In the measurement period, ISC Members' training credits exceeded 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:** Kevin McDonald

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Frequency
<b>2.3.1</b> % of ISC agendas sent out 5 working days before meetings	100	%	G	G	100%	High	Quarterly
<b>2.3.2</b> % of ISC committee items sent out 5 working days before meetings	100	%	G	G	100%	High	Quarterly
<b>2.3.3</b> % of draft ISC minutes sent out 7 working days after meetings	100	%	G	G	100%	High	Quarterly
<b>2.3.4</b> % of draft ISC minutes uploaded to internet 12 working days after meetings	100	%	G	G	100%	High	Quarterly
<b>2.3.5</b> 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** - **2.3.2** cover the quarter ending 31 December 2017, 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
- 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 EPFB 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:** Kevin McDonald

#### 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%



## 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
<b>3.2.1</b> Stability mechanisms are included within the current Funding Strategy	Yes	G	G	Yes	Yes	High	3 yearly
<b>3.2.2</b> 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.

### 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

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	Annual
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 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.

##### 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.

### 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. 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.

### 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 & Sam 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.

## 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
<b>3.6.1</b> Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0	%	Gy	Gy	0.00%	0.00%	Low	Quarterly
<b>3.6.2</b> 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

#### 3.6.2 Scoring:

0% = Green.

Below 0.02%(£250,000) = Amber.

Above 0.02% = Red

There have been no confirmed unrecoverable deficits during the last quarter.

## 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/Joel Ellner/Daniel Chessell

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 (188 cases) (208 in 2015/16)	86.5%	89.1%	A	A	95.0%	87.2%
4.1.2 Letter detailing transfer out quote issued within 10 working days (765 cases) (671 in 2015/16)	87.9%	89.3%	A	A	95.0%	86.5%
4.1.3 Letter detailing process of refund and payment made within 5 working days (1,106 cases) (890 in 2015/16)	95.5%	95.3%	G	G	95.0%	93.8%
4.1.4 Letter notifying estimated retirement benefit amount within 10 working days (2,346 cases) (4,047 in 2015/16)	98.2%	98.1%	G	G	95.0%	92.8%
4.1.5 Letter notifying actual retirement benefits and payment made of lump sum retirement grant within 5 working days (2,517 cases) (2,178 in 2015/16)	99.2%	99.3%	G	G	95.0%	93.4%
4.1.6 Letter acknowledging death of active /deferred / pensioner member within 5 working days (1,106 cases) (1,266 in 2015/16)	99.7%	99.7%	G	G	95.0%	96.1%
4.1.7 Letter notifying the amount of dependent's benefits within 5 working days (1,106 cases) (1,266 in 2015/16)	95.4%	96.2%	G	G	95.0%	89.9%
4.1.8 Calculate and notify deferred benefits within 10 working days (2,436 cases) (4,327 in 2015/16)	85.2%	88.7%	A	A	95.0%	83.8%
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%	
4.1.10 Annual benefit statements issued to deferred members by 30 June.	100.0%	100.0%	G	G	100.0%	
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 2017. No CIPFA average available.

4.1.10 Deferred members statements were issued in June 2017.

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/Joel Ellner/Daniel Chessell/Matt Mott

### Status

	Value	Units	Previous status	Current status	Target
<b>4.1.13</b> Number of payments errors	0	number	G	G	<9
<b>4.1.14</b> 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	Sep'17 quarter	Dec'17 quarter
A: Notifications of Scheme Member deaths received	74	68
B: Number within A with death grant nomination	39	35
C: Number within B paid in line with nomination held	36	33
D: Number within B paid to next of kin (in instances of predeceased nominee)	3	2
E: Number within A paid to the Estate (in instances of predeceased nominee)	0	0
F: Number within A without death grant nomination	35	33
G: Number within F paid to next of kin	35	32
H: Number within F paid to the Estate	0	0
I: Number within F paid to the Treasury Solicitor	0	0
J: Number paid to holding account as no details of NOK at present	N/A	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 There were no data breaches in the quarter.

Green = 0 breaches

Amber = 1 or more medium or minor breaches

Red = 1 or more major or critical breaches

4.2.2 No actions were required this quarter.



## 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
<b>4.3.1</b> % of monthly reconciliations of equity and bond investment mandates which are timely	100.0	%	G	G	100%	100%	High	Quarterly
<b>4.3.2</b> % of contributing employers submitting timely payments	99.3	%	A	A	100%	100%	High	Quarterly

### Rationale for performance status and trend

**4.3.1** In the quarter up to December 2017, **100%** of reconciliations were completed on time compared to the target of **100%**.

**4.3.2** For the quarter ending December 2017 **99.3%** of employers submitted timely payments. In cash terms this equated to **99.9%** of a total employer contribution of £35.6m.

## 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:** Ian Myers/Jody Evans/Kevin McDonald

**Data lead:** Ian Myers/Jody Evans/Kevin McDonald

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
<b>4.4.1</b> % of Board agendas sent out 5 working days before meetings	100	%	G	G	100%	100%	High	Quarterly
<b>4.4.2</b> % of Board items sent out 5 working days before meetings	100	%	G	G	100%	100%	High	Quarterly
<b>4.4.3</b> % of draft Board minutes available 7 working days after meetings	0	%	G	R	100%	100%	High	Quarterly
<b>4.4.4</b> % of Board minutes uploaded to internet 12 working days after meetings	0	%	R	R	100%	100%	High	Quarterly
<b>4.4.5</b> 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

**4.4.3 & 4.4.4** red measures relate to a delay in publishing minutes of the December 2017 meeting

**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 EPFB - Fund is compliant.
- PSB Terms of Reference in place and noted at the beginning of the municipal year

## 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 stakeholders equally.

**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
<b>5.1.1.</b> % of positive responses from the scheme member survey. - <i>Helpfulness of the Pensions Teams.</i>	100.0	%	G	G	95%	95%	High	Annual (Dec)
<b>5.1.2.</b> % of positive responses from the Employer Survey. - <i>Expertise of Pensions Teams.</i>	96.6	%	G	G	95%	95%	High	Annual (Dec)
<b>5.1.3.</b> % of positive responses from the Employer Survey. - <i>Pensions Teams are friendly and Informative.</i>	96	%	G	G	95%	95%	High	Annual (Dec)
<b>5.1.4.</b> A Communication Policy is in place for the current year.	Yes		G	G	Yes	Yes	High	Annual (July)

### Rationale for performance status and trend

**5.1.1** In April 2017 a scheme member survey was issued, 500 scheme members were invited to participate and 122 responses were received to the question to 'How would you rate the Essex Pension Fund on helpfulness of staff?'. All responses were positive resulting in a 100% positive response. The previous survey result for this question was 99.1%.

**5.1.2** In June 2017 an employer survey was issued, 496 employers (378 employers in 2015) were invited to participate and 154 (147 in 2015) responses were received to the question to 'How would you rate Essex Pension Fund staff on their level of expertise?'. Only 5 negative response were received resulting in a 96.6% positive response. The previous survey result for this question was one negative response and 99.3% positive.

**5.1.3** In June 2017 an employer survey was issued, 496 employers (378 employers in 2015) were invited to participate and 154 (147 in 2015) responses were received to the question to 'How would you rate Essex Pension Fund staff on being friendly and informative?'. Six negative responses were received resulting in a 96.0% positive response. The previous survey result for this question two negative responses and 98.6 % positive.

**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
<b>5.2.1.</b> % of positive responses from the Scheme Member Survey - <i>Clarity of website information.</i>	98.3%	%	A	G	95.0%	95.0%	High	Annual
<b>5.2.2.</b> % of positive responses from the Scheme Member Survey - <i>Understandable Annual Benefit Statements.</i>	92.6%	%	A	A	95.0%	95.0%	High	Annual
<b>5.2.3.</b> % 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
<b>5.2.4.</b> % of positive responses from the Employer Survey - <i>Clarity of Website information.</i>	94.0%	%	G	A	95.0%	95.0%	High	Annual
<b>5.2.5.</b> Increase in response of the Scheme Member Survey compared to last year.	0.8%	&	G	G	Increase	Increase	High	Annual
<b>5.2.6.</b> Increase in response rate of the Employer Survey compared to last year.	4.8%	%	G	G	Increase	Increase	High	Annual
<b>5.2.7</b> Employer survey - feedback on training and educational materials - % of positive responses	100.0%	%	G	G	95.0%	95.0%	High	Annual

### Rationale for performance status and trend

**5.2.1** - In April 2017 a scheme member survey was issued, 500 scheme members were invited to participate and 122 responses were received to the question to 'How clear is the information available on the Essex Pension Fund website?'. two negative response were received resulting in a **98.3%** positive response. The response to this question in the previous survey was 93.7%.

**5.2.2** - In April 2017 a scheme member survey was issued, 500 scheme members were invited to participate and 122 responses were received to the question to 'How easy was the information in your annual benefit statement to understand?'. 9 negative response was received resulting in a **92.6%** positive response. The response to this question in the previous survey was 92% positive.

**5.2.3** - In April 2017 a scheme member survey was issued, 500 scheme members were invited to participate and 122 responses were received. All responses were positive resulting in a **100%** positive response. The response to this question in the previous survey was 99.2%.

**5.2.4** - In July 2017 an employer pulse survey was issued, 496 employers were invited to participate and 35 responses were received 'How clear is the information available on the Essex Pension Fund website?'. Two negative responses was received resulting in a **94%** positive response. The previous survey result in 2015 for a question of this type was 95.2% positive.

**5.2.5** - In April 2017 a scheme member survey was issued, 500 scheme members were invited to participate and 122 responses were received. In 2015 119 responses were received. This is an increase in respondents of 3 (**0.8%**). The previous survey result for this question was an increase of 43.9%.

**5.2.6** - In June 2017 an employer survey was issued, 496 employers were invited to participate and 154 responses were received . In the previous survey 147 employer (in 2015) responses were received. This is an increase in respondents of 7 (**4.4%**). The 2012 survey had a response from 43 employers.

**5.2.7** - In June 2017 an employer survey was issued, 496 employers (378 employers in 2015) were invited to participate and 154 (147 in 2015) responses were received . When asked about feedback on training materials and educational materials no negative responses were received resulting in a **100%** positive response. The previous survey result for this question was 96.6% 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:** Matt Mott

#### 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>	100%	%	G	G	95%	95%		Annual (Dec)

#### Rationale for performance status and trend

5.3.1 This measure is under review.

5.3.2 In June 2017 an employer survey was issued, 496 employers (378 employers in 2015) were invited to participate and 154 (147 in 2015) responses were received. When asked about feedback on information available is helpful to employers understanding their responsibilities no negative response were received resulting in a **100.0%** positive response. In the previous survey the response to this question 100.0%.

<b>Essex Pension Fund Strategy Board</b>	<b>EPB/03/18</b>
<b>Date: 7 March 2018</b>	

## Review of Fund Objectives and Risk Register

Report by the Independent Governance & Administration Adviser

Enquiries to Kevin McDonald on 03330 138488 and Jody Evans on 03330 138489

### 1. Purpose of the Report

- 1.1 To give members of the Pension Strategy Board (“PSB”) the opportunity to comment on proposed changes to the Fund’s Objectives.

### 2. Recommendations

- 2.1 That the PSB agree the proposed change to the Fund’s Objectives which are found at Appendix 1 of this report.

### 3. Background

- 3.1 At the Pension Strategy Board (“PSB”) of 18 December 2017 it was agreed that the Fund should carry out a review of its objectives and risks.
- 3.2 It is a key element of good governance that the Fund has clearly stated and understood objectives. Clear objectives provide direction and focus and help officers and members of the PSB and ISC to prioritise their actions.
- 3.3 Clear objectives also allow the Fund to identify its risks ie those events which should they occur could prevent the Fund from achieving its objectives. Understanding risks allows informed decisions to be taken about how those risks can best be managed and mitigated.
- 3.4 The Fund’s objectives were originally agreed by the PSB in December 2010 and are grouped into the following categories;
- Governance
  - Investments
  - Funding
  - Administration
  - Communication

#### **4. Review of Funding and Investment objectives**

- 4.1 As agreed at the December PSB, the Investment and Funding objectives were taken to the ISC meeting on 21 February for input and comment.
- 4.2 It is appropriate for the ISC to have sight of both Investment and Funding objectives since the two are inextricably linked and feed directly into the terms of reference for the ISC. In effect funding and investment go hand in hand, with the funding discount rate being set with reference to the Fund's long term investment strategy and therefore reflecting the Fund's long term expected return on assets.
- 4.3 The ISC agreed one change to the Investment which is reflected in Appendix 1.

#### **5. Full review of objectives.**

- 5.1 The Fund's officers, actuary and independent governance and administration adviser have now reviewed the full set of objectives.
- 5.2 In summary, it was felt that the Fund's objectives remain appropriate but there is scope for some refinement. Some small changes have been suggested for reasons of style and consistency. In addition, further changes have been suggested for the following reasons;
  - To acknowledge the need for compliance with LGPS and wider pensions legislation, and to acknowledge the role of the Pensions Regulator.
  - To acknowledge the move to pooled investment.
  - To reflect the importance of successful partnership with the increasing number of employers in the Fund.
- 5.3 A full list of the Fund's objectives along with any suggested changes and the rationale behind the suggestion can be found at appendix 1.

## **6. Next Steps**

6.1 The table below shows the timetable agreed at the December PSB

PSB	18 December 2017	Paper to PSB to approve approach
PAB	24 January 2018	PAB updated on approach
ISC	21 February 2018	Paper to ISC containing Funding and Investment objectives for comment
PSB	7 March 2018	Paper to PSB containing full set of objectives for comment and approval
	March / April	Officers / advisers commence risk review
PAB	Late May 2018	Update on risk review progress to PAB
ISC	Mid-June 2018	Paper to ISC containing draft Funding and Investment risks for comment
PSB	July 2018	Paper to PSB containing draft Risk Register for comment
PSB	Mid-September 2018	Risk register taken to PSB for approval
PAB	Late September 2018	PAB to review process and comment

## **7. Risk Implications**

- 7.1 Failure to carry out a fundamental review of objectives and risks may mean that the existing risk management framework is no longer appropriate and that officers and members of the PSB could be directing their activities in a way that no longer aligns to the Fund's objectives.
- 7.2 Failure to identify and manage the Fund's risks could lead to risks not being identified or mitigated properly with adverse financial or reputational consequences for the Fund.

## **8. Communication Implications**

- 8.1 Once agreed, the new objectives will be available in the annual report and accounts and on the Fund's website.

## **9. Finance and Resources Implications**

- 9.1 The main impact will be on officer time. The structuring of the review as set out in 6 is designed to allow officers to plan appropriately and minimise the impact of carrying out this work on business as usual.

## **10. Background Papers**

- 10.1 None.



## Appendix 1

<b>Governance</b>		
<b>Existing objective</b>	<b>Proposed new objective</b>	<b>Reason for change</b>
Provide a high quality service whilst maintaining value for money		No change
	Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.	New objective to make it explicit that the Fund will comply with LGPS Regulation, wider legislation and to acknowledge the role of the Pensions Regulator in the LGPS
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise		No change
Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times		No change
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based		No change
Understand and monitor risk and compliance		No change
Continually measure and monitor success against our objectives		No change

<b>Investment</b>		
<b>Existing objective</b>	<b>Proposed new objective</b>	<b>Reason for change</b>
To maximise the returns from investments within reasonable risk parameters		No Change
To ensure the Fund is properly managed	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	<p>To reflect the fact that the fund needs to continue to be properly managed throughout the move to pooling and not have business as usual developments compromised.</p> <p>To make explicit that this objectives relates to the management of the Fund's investments and should not be confused with any more general governance objectives that the Fund may have around management of all aspects of the its business.</p> <p>NB this was agreed at the ISC meeting of 21 February 2018.</p>
Ensure investment issues are communicated appropriately to the Fund's stakeholders		No Change

<b>Funding</b>		
<b>Existing objective</b>	<b>Proposed new objective</b>	<b>Reason for change</b>
To recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible	Stylistic only
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 prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement	Explicit mention of prudence  Other stylistic changes
To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	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	Stylistic only
To have consistency between the investment strategy and funding strategy	To ensure consistency between the investment strategy and funding strategy	Stylistic only
Maintain liquidity in order to meet projected net cash-flow outgoings	To maintain liquidity in order to meet projected net cash-flow outgoings	Stylistic only
Minimise unrecoverable debt on termination of employer participation	To minimise unrecoverable debt on termination of employer participation	Stylistic only

<b>Administration</b>		
<b>Existing objective</b>	<b>Proposed new objective</b>	<b>Reason for change</b>
Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need		No Change
Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount	Ensure contribution income is collected from, the right people at the right time in the right amount	Currently combined, it is now proposed to split the collection of contribution income and the payment of benefits into separate objectives.
	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		No Change
	Clearly establish the levels of performance the Fund and its employers are expected to achieve in carrying out their functions	New objective to reflect the expectation require of the Fund and its employers
	Develop successful partnership working between the Fund and its employers	New objective to recognise that the increasing number of employers requires successful partnership working.

<b>Communications</b>		
<b>Existing objective</b>	<b>Proposed new objective</b>	<b>Reason for change</b>
Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally		No Change
Ensure our communications are simple, relevant and have impact		No Change
Deliver information in a way that suits all types of stakeholder		No Change
Aim for full appreciation of the pension scheme benefits and changes to the scheme by all scheme members, prospective scheme members and employ		No Change



<b>Essex Pension Fund Strategy Board</b>	<b>PSB/04/18</b>
<b>date: 7 March 2018</b>	

## **Review of Administration Strategy**

Report by the Head of Essex Pension Fund

---

Enquiries to Jody Evans on 03330 138489

### **1. Purpose of the Report**

- 1.1 To update the Board on progress with a review of the Fund's administration strategy.

### **2. Recommendation**

It is recommended that:

- 2.1 The Board note the intended timetable for reviewing the administration strategy.

### **3. Background**

- 3.1 LGPS Regulation 59 (1) says that an administering authority may prepare a written statement (known as an “administration strategy”) of the authority's policies in relation to such matters as
- procedures for liaison and communication with Scheme employers;
  - the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions
  - the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers concerning additional costs arising from Scheme employer's level of performance
- 3.2 The Fund has had an administration strategy in place since March 2013 which has been monitored and reviewed each year.
- 3.3 An action was included in the 2017/18 business plan to commence a review of the administration strategy.

### **4. Timetable**

- 4.1 Initial review work has established the need to revise the administration strategy so that it better meets the needs of both the Fund and its employers going forward.
- 4.2 Officers are therefore undertaking a full review of the administration strategy and intend to progress this review in accordance with the following timetable:

	January-June 2018	Review of strategy and drafting of revised strategy by officers
PAB	June 2018	Draft strategy presented to PAB for comment
PSB	July 2018	Draft strategy presented to PSB for comment
	August 2018	Any necessary changes made to draft strategy
	September-October 2018	Consultation on draft strategy with employers
	November 2018	Feedback from consultation considered and any necessary changes made to draft strategy
PSB	December 2018	Final draft administration strategy presented to PSB for approval
	January 2019	Revised administration strategy published



## **5. Link to Essex Pension Fund Objectives**

- 5.1 Putting in place an Administration Strategy will assist in achieving the following Fund objectives:
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
  - Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times
  - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
  - Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount

## **6. Risk Implications**

- 6.1 There are no key risks as a result of agreeing this draft strategy as it is predominantly based on current practices and previous Board decisions.

## **7. Communication Implications**

- 7.1 Officers will embark on a consultation exercise with employing authorities in the Fund prior to bringing a final draft strategy to the Board for approval. Thereafter the Strategy must be published (which will be via the Fund's website).

## **8. Finance and Resources Implications**

- 8.1 The consultation exercise, including responding to comments from employing Authorities, will require officer resource but it is expected that this can be managed within the existing resources.

## **9. Background Papers**

- 9.1 EPFB previous report on the draft Administration Strategy:
- EPB/08/13 – 6 March 2013

<b>Essex Pension Fund Strategy Board</b>	<b>EPB/05/18</b>
<b>Date: 7 March 2018</b>	

## **Pension Advisory Board (PAB) Quarterly Report**

Report by the Head of Essex Pension Fund

---

Enquiries to Jody Evans on: 03330 138489

### **1. Purpose of the Report**

- 1.1 To provide an update on PAB activity since the last Board meeting.

### **2. Recommendations**

- 2.1 That the Board should note the report.

### **3. Background**

- 3.1 The Essex Pension Fund Advisory Board (PAB) was established as the Local Pension Board for Essex in accordance with section 5 of the Public Service Pension Act 2013 and Part 3 of the LGPS Regulations 2013.
- 3.2 Since the Board's last meeting the PAB has met once on 24 January 2018.

### **4. Report of the meeting of PAB on 24 January 2018**

- 4.1 The outcomes of the effectiveness questionnaire were discussed following a presentation by the Independent Governance and Administration Adviser. A number of points were raised by members and it was suggested that it may be beneficial to bring in someone from the Local Government Association to talk to the Board about its remit and where it can add further value to the work of the Fund.
- 4.2 A report and presentation by the Director of Essex Pension Fund giving an update on the 2017 Interim Review & Funding Strategy, highlighting recent changes made to the Funding Strategy Statement agreed at the Pension Strategy Board (PSB) on 18 December 2017.
- 4.3 The Board received report PAB/03/18 from the Head of the Essex Pension Fund, setting out the new solution of online services available to both Essex Pension Fund Scheme Members and Employers. Members were pleased to note that they had been part of the early testing group which had assisted in picking up any early glitches and errors.
- 4.4 A presentation was given providing an update on the timetable agreed by the Pension Strategy Board (PSB) for reviewing the objectives and risk register of the Essex pension Fund.
- 4.5 The Board received a report updating them on the 2016/17 year-end data submissions exercise and plans for the 2017/18 exercise.
- 4.6 An update was given on Pooling and the outcome of the operator procurement.
- 4.7 The Board also noted the resignation of Member Jenny Hunt and expressed their thanks for her contribution since the Board's inception. It was noted that Officers would be commence arrangements for the process of filling the vacancy.

### **5. Link to Essex Pension Fund Objectives**

- 5.1 Compliance with the Fund's governance arrangements.

### **6. Background Papers**

- 6.1 PAB agenda and minutes of 24 January 2018 meeting.

<b>Essex Pension Fund Strategy Board</b>	<b>EPB/06/18</b>
<b>date: 7 March 2018</b>	

**Investment Steering Committee (ISC) Quarterly Report**

Report by the Director for Essex Pension Fund

Enquiries to Kevin McDonald on: 0333 0138 488

---

**1. Purpose of the Report**

- 1.1 To provide a report on ISC activity since the last 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 one occasion 21 February 2018.

### **4. Report of the meeting of ISC on 21 February 2018**

- 4.1 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS. The progress on the key workstreams; Passive Provider Transition; Operator Procurement and Implementation; Sub-fund construction; ACCESS Governance review; client function and support arrangements was outlined.
- 4.2 Members were updated on the timetable and implementation in relation to the transition of the passively managed assets and currency hedge arrangements from the incumbent Legal and General Investment Management (LGIM) to the new ACCESS single passive provider, UBS Asset Management (UBS).
- 4.3 The Committee noted the conclusion of the Operator procurement and the award of the contract to the preferred bidder. It was explained that further progress had also been made on the initial sub fund seeding arrangements.
- 4.4 Members noted that Muse Advisory Ltd had been appointed to assist with the review and development of ACCESS governance arrangements in particular assisting with defining roles & responsibilities and to advise on overlaps and potential gaps, in accordance with accepted best governance practice.
- 4.5 The Committee noted that the ACCESS Joint Committee had met on two occasions on 13 December 2017 and 29 January 2018.
- 4.6 The Committee received a report from the Independent Governance and Administration Adviser outlining the timetable for undertaking a fundamental review of the Fund's objectives and risks. It was agreed that an amendment be made to the investment objective to explicitly reference pooling.
- 4.7 The Committee received a presentation from Hymans Robertson 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 2017.
- 4.8 The Committee noted the report of the Officers & Advisers meetings held with both Aviva Investors and Stewart Investors.
- 4.9 The main focus of the meeting's business was the implementation of the new target portfolio structure agreed at the previous meeting.
- 4.10 The Committee also received training presentation from CBRE on global property and a presentation from Alcentra, the private debt manager.

## **5. Link to Essex Pension Fund Objectives**

### **5.1 Investments**

- To maximise the returns from investments within reasonable risk parameters.
- To ensure the Fund is properly managed.

## **6. Risk Implications**

6.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement.

6.2 Officers and advisers will examine the potential risks associated with pooling once the structures and timescales for the migration of Fund assets are better understood. These will then be brought to a future meeting of the ISC for consideration.

## **7. Communication Implications**

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

## **8. Finance and Resources Implications**

8.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation is estimated to be £97,000 per Fund in 2017/18. The cost in 2016/17 was £80,000 per Fund.

## **9. Background Papers**

9.1 ISC meeting of 21 February 2018 – agenda and draft minutes