



Essex County Council

# Essex Pension Fund Strategy Board

<b>13:00</b>	<b>Wednesday, 06 March 2019</b>	<b>Committee Room 2, County Hall, Chelmsford, CM1 1QH</b>
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**For information about the meeting please ask for:**

Amanda Crawford, Compliance Manager

**Telephone:** 03330 321763

**Email:** [Amanda.crawford@essex.gov.uk](mailto:Amanda.crawford@essex.gov.uk)

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| <b>10</b> | <b>Schedule of Future meetings</b><br>To note the following future dates:<br><u>Pension Strategy Board</u><br>3 July 2019<br>11 September 2019<br>18 December 2019<br>4 March 2020<br><u>Investment Steering Committee</u><br>27 March 2019<br>26 June 2019<br>17 July 2019<br>9 & 10 October 2019 – Baillie Gifford Investment Conference<br>27 November 2019<br>19 February 2020<br>25 March 2020 |                  |
| <b>11</b> | <b>Urgent Business</b><br>To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.   |                  |

### **Exempt Items**

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

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

**That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they**

involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

## **12 Multi Academy Trust Liability Transfer**

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

## **13 Pooling Update**

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

## **14 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.

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<b>Essex Pension Fund Strategy Board</b>	<b>PSB 01</b>
<b>Date: 6 March 2019</b>	

## **Essex Pension Fund Membership, Apologies and Declarations of Interest**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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

- 1.1 To present Membership, apologies and Declarations of Interest for the 6 March 2019 PSB.

### **2. Recommendation**

- 2.1 That the Board should note:

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

### **3. Membership**

(Quorum: 4)

11 members consisting of:

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

#### **Membership**

Councillor S Barker

Councillor M Platt

Councillor A Goggin

Councillor A Hedley

Councillor L Scordis

Councillor C Souter

Councillor M Maddocks

Councillor C Riley

Councillor A Moring

Sandra Child

Ms J Moore

#### **Representing**

Essex County Council (Chairman)

Essex County Council (Vice Chairman)

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 (PSB) held in Committee Room 2, on 19 December 2018**

### **1. Membership, Apologies and Declarations of Interest**

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

#### **Membership**

##### **Present:**

#### **Essex County Council**

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr M Maddocks	
Cllr C Souter	
Cllr L Scordis	
Cllr A Hedley	

#### **District/Borough Councils in Essex**

Cllr C Riley	Castle Point Borough Council
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#### **Scheme Member Representatives**

Sandra Child (UNISON)

#### **Smaller Employing Bodies**

Jenny Moore

The following officers and advisors were also present in support:

Kevin McDonald	Director for Essex Pension Fund
Jody Evans	Head of Essex Pension Fund
Sara Maxey	Employer Manager
Amanda Crawford	Compliance Manager
Marcia Wong	Compliance Officer
Graeme Muir	Actuary, Barnett Waddingham

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

Paul Hewitt	Scheme Member Representative
Andrew Coburn	Scheme Member Representative
Debs Hurst	Scheme Member Representative

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

The Chairman welcomed Cllr M Maddocks to his first meeting as a substantive PSB Member. PAB observers Debs Hurst, Paul Hewitt and Andrew Coburn were also welcomed to the meeting.

### **Apologies for Absence**

Apologies were received from Cllr A Davies (ECC, PSB sub-member), Cllr A Erskine (ECC, PSB sub-member) and Cllr Moring (Southend-on-Sea Borough Council).

### **Declarations of Interest**

Declarations were received from Cllr S Barker who stated she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS pension scheme. Cllr A Goggin declared his wife, sister and brother-in-law were in receipt of an Essex LGPS pension. Cllr C Riley, Cllr M Maddocks and Jenny Moore declared they were in receipt of an Essex LGPS Pension.

## **2. Minutes**

Minutes of the meeting of the PSB held on 12 September 2018 were approved as a correct record and were signed by the Chairman.

The Chairman updated the Board in relation to page 12, paragraph 6. The Fund achieved Highly Commended at the Local Authority Pension Fund Awards which took place during October 2018.

### **Resolved:**

The Board noted the update.

## **3. Independent Governance & Administration Advisor (IGAA) Appointment**

The Board received a report from the Director for Essex Pension Fund. The Head of Essex Pension Fund informed the Board that a paper in part two of the agenda described the tender process and interview results for the appointment of the IGAA carried out during November 2018.

The outcome of which meant that AON had been appointed as the Fund's new IGAA.

### **Resolved:**

The Board noted the content of the report.

## **4. Government Actuarial Department (GAD) S.13**

The Board received a presentation from the Fund's Actuary, Graeme Muir, Barnett Waddingham.

Graeme outlined the requirements of Section 13 valuations. The Fund's performance in comparison from 2013 and 2016 valuations were discussed.



**Resolved:**

The Board noted the presentation.

**5. Risk Review**

The Board received a report and presentation from the Director for Essex Pension Fund. The Board were provided with a brief summary on the progress made with the review of risks so far drawing their attention to the reduction in the quantity of risks.

The Board were informed that original expectations would have been to present the full revised Risk Register at this meeting for their approval. However, due to the appointment of the new IGAA, the Fund thought it would be more prudent to seek advice and guidance from the new IGAA prior to Board approval.

The revised Risk Register would be brought the March 2019 PSB for their approval.

The Chairman notified the Board that she would be meeting with the new IGAA on 22 January 2019.

**Resolved:**

The Board noted the update.

**6. Update on Pension Fund Activity**

The Director for Essex Pension Fund gave an update and presentation on the 2018/19 Business Plan, the three year Business Plan, Risk Management and the Scorecard. Members appraised the progress against the objectives, risk and scorecard, noting in particular any areas of concern.

During consideration of this item the following points were highlighted:

- the business plan objectives;
- three-year Business Plan;
- reduction in 3 risks previously scored as amber, now scored as yellow;
- two Scorecard red measures this quarter;
  - one in relation to PSB Member attendance which was highlighted as an issue during the September 2018 PSB meeting; and
  - one in relation to monthly reconciliations carried out by the Investment Team which was caused by new Team Members requiring training and unable partial unavailability of the general ledger.

The Board discussed the revised 4.1 Scorecard paper noting the amount of cases the Fund processed with specific reference to the increase of retirement benefit cases.

The Director for Essex Pension Fund notified the Board of two possible consultations due during 2019; Pooling Guidance and Separation. However, the impact of these consultations remains unclear.

**Resolved:**

The Board noted:

- the progress against the 2018/19 Business Plan;
- the three year Business Plan;
- the current risks with a score of six or above;
- the latest scorecard measures; and
- the possible consultations during 2019.

**7. Review of Administration Strategy**

The Board received a report from the Technical Hub Manager which provided details of the consultation undertaken with the Fund's Employers in relation to the draft revised Administration Strategy.

The Board were advised that the Fund has reviewed all comments and suggestions received and made amendments to the revised Administration Strategy where appropriate. Some responses were general queries and have been responded to separately.

The Board were asked to approve the revised Administration Strategy.

**Resolved:**

The Board approved the revised Administration Strategy.

**8. 2019/20 Charging Policy**

The Board received a report from the Technical Hub Manager which explained that the policy had worked well again in 2017/18 and that no changes were necessary at this time. Additionally, the charging policy has now been incorporated as an appendix within the revised Administration Strategy.

**Resolved:**

The Board noted the report.

**9. MHCLG Consultation on Technical Amendments**

The Board received a report from the Technical Hub Manager which provided the Board with the Fund's response to the Ministry of Housing, Communities and Local Government (MHCLG) consultation in relation to technical amendments to benefits.

The Board noted the Fund's comment on page 110, 2<sup>nd</sup> paragraph that male partners of post leaving opposite sex marriages would be disadvantaged by the proposed amendments.

**Resolved:**

The Board noted the report and the Fund's response.

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

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

It was noted that the ISC had met on two occasions, 17 October and 28 November 2018, since the last PSB meeting and had made a number of decisions as detailed in the report.

**Resolved:**

The Board noted the report and update.

**11. Pension Advisory Board (PAB) Vacancy**

The Board received a report from the Head of Essex Pension Fund notifying the Board of a resignation from a PAB Member.

The Board were asked for their agreement for the Fund to start the recruitment process for a new Scheme Member representative and to agree Membership of the interview panel.

The Chairman notified the Board that the PAB would undergo a review during 2019 to be in line with the 4-year cycle and would therefore ask the Board for their consent to delay the recruitment of one Member, to enable the Fund to undertake a full recruitment exercise for the revised PAB Membership for May 2019. The Chairman informed the Board that she would be seeking further guidance from the IGAA in relation to this recruitment.

**Resolved:**

The Board noted the content of report and agreed to postpone the recruitment of one PAB Member to enable the PAB to be reviewed as part of its 4-year cycle.

**12. PAB Quarterly Report**

The Board received an update from the Head of Essex Pension Fund on the PAB meeting held on the 26 September 2018.

It was noted that; the PAB reinstated Paul Hewitt as the Vice Chairman; the PAB agreed their Annual Report to feed into the Fund's 17/18 Annual Report & Accounts; the IGAA tender process agreed by the PSB and an update in relation to Pooling and Stocklending.

**Resolved:**

The Board noted the content of report.

**13. HMRC GMP Update**

The Board received a report and presentation from the Head of Essex Pension Fund in relation to the GMP Reconciliation Project.

The Board were notified of the process undertaken by the Fund and the amount of records that were required to be reconciled. The Board appraised the process and the complexities of issues that had arose.

The Head of Essex Pension Fund notified the Board that a future consultation is expected in relation to a further potential project, GMP Equalisation. The Board were notified that the Fund would liaise with the IGAA and Actuary where necessary and would keep the Board updated on developments.

**Resolved:**

The Board noted the report and presentation.

**14. Schedule of Future meetings**

The Board received a presentation from the Director for Essex Pension Fund detailing the planned Board and Committee meetings for the next municipal year. The Board were advised that these slides would be provided alongside the minutes to formally agree the proposed Board dates.

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

The Chairman also informed the Board that she would be exploring how Board and Committee training can be delivered in consultation with Officers and the IGAA. The Board agreed that an hour slot prior to a meeting would be preferred.

The Board confirmed the schedule of meetings for the current municipal year 2018/19.

Pension Strategy Board

6 March 2019 – 1.00pm

Investment Steering Committee

20 February 2019 – 1.00pm

27 March 2019 – 1.00pm

Pension Advisory Board

5 February 2019 – 1.00pm

**15. Urgent Part I Business**

None.

**Exclusion of the Public and Press**

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 paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

**Resolved:**

The Chairman brought to the attention the above statement.

**16. MAT Liability Transfer**

The Board received a report from the Employer Manager outlining a request received from NET Academies. The Head of Essex Pension Fund, Employer Manager and Fund Actuary notified the Board of the implications to the Fund and the various outcomes that could arise.

**Resolved:**

The Board noted the content of the report and that a further update would be provided in due course.

**17. IGAA - Contractual Arrangements**

The Board received a joint report and presentation from the Director for Essex Pension Fund and Head of Essex Pension Fund. The Board were notified that they agreed at their 12 September 2018 meeting that an Appointment Sub Committee (ASC) consisting of Cllr S Barker, Cllr C Riley and Jenny Moore, would be set up to conduct IGAA interviews as part of the IGAA tender.

The results of the Interview process were shared with the Board and they were notified that AON were awarded the IGAA contract which commenced on 3 December 2018.

The Chairman notified the Board that she would be meeting with the new IGAA on 22 January 2019 and therefore saw it appropriate for the IGAA to attend the next PAB meeting scheduled for the 5 February 2019.

**Resolved:**

The Board noted the report, presentation and update.

**18. Pooling Update**

The Board received a presentation from the Director for Essex Pension Fund outlining the latest developments in respect of the structural reform of the LGPS.

It was noted that:

- during November 2018, the 1<sup>st</sup> sub-fund was populated;
- sub-funds 2-9 would be populated during February 2019; and
- sub-funds 10-18 would be populated during May 2019.

**Resolved:**

The Board noted the presentation.

**19. Urgent Exempt Business**

None.

**20. Closing Remarks**

The Chairman reaffirmed that the next PSB would take place on Wednesday 6 March 2019 at its usual start time of 1.00pm.

There being no further business the meeting closed at 11.40am.

**Chairman**  
**6 March 2019**

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 03</b>
<b>Date: 6 March 2019</b>	

## **Update on Pension Fund Activity**

Report by the Independent Governance & Administration Advisor

Enquiries to Karen McWilliam 01727 888216

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

- 1.1 To introduce the Board to the new Independent Governance & Administration Adviser (IGAA) and receive a presentation on some of the key governance and administration hot topics.
- 1.2 To provide the Board with an update on the cost management process.

### **2. Recommendations**

- 2.1 That the Board should note the report and presentation.

### **3. Background**

- 3.1 As reported at the December PSB, Aon have been appointed to provide IGAA services for the Fund. Karen McWilliam from Aon will be attending the Board.
- 3.2 The main role of the IGAA is to provide guidance on the proper governance and administration of the Fund.

### **4. Presentation on current key governance and administration topics**

- 4.1 The IGAA will provide a short presentation to the Board on some of the main governance and administration topics that will impact the Fund in the next two to three years. As part of this the IGAA will provide an update on the recent developments impacting the cost management process.

### **5. Cost management process**

- 5.1 In the last few weeks, there has been a major development in the implementation of the cost management requirements (also referred to as "cost cap"). In summary:
- valuations are carried out at a national level to ensure that the ongoing future cost of the scheme is maintained within a specified range of costs;
  - if those valuations find that the ongoing scheme cost is below the acceptable cost range, scheme member benefits are increased and/or scheme member contributions are decreased; if it is found to be above the acceptable cost range, then scheme member benefits are reduced and/or scheme member contributions are increased;
  - for the LGPS, valuations are carried out by both Her Majesty's Treasury (HMT) and by the Scheme Advisory Board (SAB), albeit using different parameters, with the SAB process being considered first, which then hopefully negates the need for any adjustment as a result of the HMT valuation;
  - the LGPS SAB results had been confirmed at the end of 2018 and it was found that the cost of the scheme was lower than the acceptable cost range, and accordingly improvements to the scheme's benefits, as well as a reduction to scheme member contribution rates, were due to be consulted on with a view to them coming into force from 1 April 2019;



- however, on 20 December 2018 the Court of Appeal found that transitional protections that were put in place as part of the reform of both the Judges' and the Firefighters' Pension Schemes were unlawful on the grounds of age discrimination and could not be justified. This is being referred to as the McCloud case, and a summary of the judgement is included in Appendix A;
- similar protections, which applied to all members within 10 years of retirement, were included in the reforms of all public service schemes, albeit the form of these protections varied from scheme to scheme. Although the McCloud case only relates directly to the Judges and Firefighters Pension Schemes, it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes;
- as a result, both LGPS SAB and HMT have paused their cost management processes. LGPS SAB has announced "there are currently no changes to benefits planned in respect of the cost cap. This situation will be reviewed once McCloud is resolved which is not expected for some months." The full statement issued by SAB to all administering authorities is included in Appendix B together with a recent Q&A document in Appendix C which will be covered within the IGAA's presentation to the Board.

5.2 This is a major development which could have a fundamental impact on the Fund, its employers and scheme members:

- perhaps the least impact would occur if the McCloud judgement is ultimately overturned, and the cost management process therefore continues as originally planned; this would result in some employer contribution rate increases and benefit/contribution changes, but any retrospection to 1 April 2019 (on member benefits and contributions if required) would be difficult to implement;
- a much greater impact would occur if the McCloud judgement was determined to apply to the LGPS too, and the scheme benefits had to be adjusted accordingly to remove the inequality. This would probably result in a major review of scheme benefits and would be more likely to result in improvements and consequently an increase in employer pension costs.

5.3 One of the key concerns is the potential for any changes to affect contributions and liabilities differently at an employer level, which could arise from the Fund triennial valuation in 2019 (or a perhaps later).

- 5.4 The LGPS SAB are providing ongoing updates to administering authorities and are currently seeking views from administering authorities on whether central guidance should be issued to promote a consistency of approach on how the McCloud implications and/or cost management should be taken account of as part of the 2019 Fund triennial valuation exercise. Officers of the Fund are liaising with the Fund's Actuary on how best to respond to this question.

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

- 6.1 Understanding all matters that could impact on the Fund is critical to the Fund in achieving its objectives, and in particular:
- Provide a high-quality service whilst maintaining value for money;
  - Understand and monitor risk and compliance;
  - 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.

## **7. Risk Implications**

- 7.1 As shown in G12 and G14, the impact of national change outside the Fund's control could risk the Fund's ability to deliver services in line with legislative requirements.

## **8. Communication Implications**

- 8.1 There will be ongoing reporting to the Board in relation to these matters and particularly the cost management process. The Fund will communicate with all employers of the Fund following confirmation from the Funds Actuary of the potential impact to the Valuation outcomes.

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

- 9.1 These changes are likely to require significant input by officers and advisers during 2019/20 and probably into 2020/21, particularly relating to liaison with employers, updating administration systems and communications with scheme members.

## **10. Background Papers**

- 10.1 PSB 02, 19 December 2018 – Independent Governance & Administration Adviser (IGAA) Appointment.



**PRESS SUMMARY**

***The Lord Chancellor and Secretary of State for Justice and another v McCloud and Mostyn and others* [2018] EWCA Civ 2844**

On appeal from UKEAT/0071/17/LA

***Sargeant v London Fire and Emergency Planning Authority and others* [2018] EWCA Civ 2844**

On appeal from UKEAT/0116/17/LA and UKEAT/0137/17/LA

**The Court:** Longmore LJ, Sir Colin Rimer and Sir Patrick Elias.

**BACKGROUND TO THE APPEALS**

The claimants in McCloud are judges, each of whom had been members of the Judicial Pension Scheme (“JPS”). On 1 April 2015, a New Judicial Pension Scheme (“NJPS”) was introduced, membership of which is admitted to be substantially less attractive than membership of the JPS. The claims in McCloud concern not the reformed scheme itself, but rather the transitional provisions by which that scheme was introduced. Those provisions define judges’ entitlement to remain active members of the JPS by reference to their age. Existing members of the JPS who were born on or before 1<sup>st</sup> April 1957 have full protection and remain entitled to continuing active membership of the JPS; those born between 2<sup>nd</sup> April 1957 and 1<sup>st</sup> September 1960 are entitled to time-limited protection; and those born after 1<sup>st</sup> September 1960 are not entitled to any protection and are excluded from active membership of the JPS. The claimants, who are all entitled to limited or no protection, brought claims (i) alleging direct discrimination on grounds of age; (ii) for equal pay on the basis that the transitional provisions disproportionately adversely affect women; and (iii) alleging indirect sex and race discrimination. The respondents do not dispute that the transitional provisions discriminate on grounds of age, but argue that they are justified as a proportionate means of achieving a legitimate aim.

The claimants in Sargeant are English and Welsh firefighters, each of whom had been members of the Firefighters’ Pension Scheme 1992 (the “**1992 FPS**”) or an equivalent scheme. On 1 April 2015, new firefighters’ pension schemes were introduced in England and Wales (together, the “**2015 FPS**”). The terms of the 2015 FPS are admitted to be less favourable than those of the 1992 FPS. As with the claims in McCloud, the claims in Sargeant concern the transitional provisions by which the 2015 FPS was introduced. The structure of the transitional provisions, and the types of claim advanced, are essentially the same as in McCloud.

The Employment Tribunal (the “**ET**”) in McCloud held that the respondents had failed to identify a legitimate aim, or to demonstrate that the transitional provisions were a proportionate means of achieving any assumed legitimate aim. In contrast, the ET in Sargeant held that the transitional provisions in issue in those claims did comprise a proportionate means of achieving legitimate aims.

The Employment Appeal Tribunal (“EAT”) in McCloud held that the ET had misdirected itself in concluding that no legitimate aim had been established by focusing on an absence of evidence to conclude that the aim of protecting older judges was irrational, in circumstances where that aim was not susceptible to evidential proof because it was informed by moral or political value judgments. The decision of the ET was nevertheless not to be disturbed because its analysis of proportionate means was unimpeachable. In particular, the ET had in its analysis of both aims and means accorded the respondents a sufficient ‘margin of discretion’. There was a tension between European authorities requiring that a wide margin of discretion be accorded by the court to the government’s identification of legitimate aims and proportionate means; and English authorities which encouraged judicial scrutiny of aims and means. However, those conflicting authorities had been reconciled by the Supreme Court in Seldon v Clarkson Wright & Jakes [2012] UKSC 16.

The EAT in Sargeant held that a margin of discretion was to be applied in relation to aims but not means. The ET had applied that margin correctly in its analysis of aims, but had erred by failing to scrutinise whether the means adopted was proportionate. The EAT therefore ordered that matter to be remitted to the ET.

## JUDGMENT

### *Age discrimination claims*

The Court of Appeal held that the age discrimination claims in both McCloud and Sargeant were made out. In the judges’ case the court upheld the ET’s conclusions on legitimate aims. As such, the issue of proportionate means did not fall to be considered [95]. The court nevertheless expressed its view that although the reasoning of the ET on proportionate means disclosed some errors, none of them vitiated the conclusion reached [96]-[99]. As for Sargeant, the court overturned the ET’s finding that the government parties had established legitimate aims [164], such that the issue of proportionate means did not fall to be considered [165].

The central issue of law concerned the margin of discretion to be applied. There was no tension between the European and domestic authorities on this issue [84]. The correct approach, and the approach consistent with both the domestic and the European authorities, was for the court to afford the government some margin of discretion in relation to both aims and means, but to determine for itself what the appropriate margin should be in each particular case; and then, applying that appropriate margin, to determine whether a particular aim is legitimate or a means proportionate [85]-[87]; [143]-[145]. The Court emphasised that once a court has established a social policy aim is capable of being a legitimate aim, it must further determine whether it is in fact legitimate in the particular circumstances of the case [86]; [151]. The ET in McCloud followed that approach [89]. The ET in Sargeant failed to follow that approach in relation to legitimacy of aims by proceeding straight from a finding that the claimed aims were social policy aims, to the conclusion that they were also legitimate aims [152]-[155].

A further issue concerned whether supporting evidence was required to substantiate the legitimacy of the aims relied on by the government parties in both actions. The court held that the legitimacy of those aims could not be established without

supporting evidence. It was not sufficient simply to assert a claimed belief that it ‘felt right’ to protect older firefighters or older judges, and then to characterise the decision to do so as a moral decision incapable of evidential substantiation [157]. The government needed to show how it had arrived at the conclusion that that aim ‘felt right’, which analysis would have to be supported by evidence [157]-[160]. So far as concerns Sergeant, the ET erred in finding that the aims relied upon were legitimate in the absence of any supporting evidence [163]. The EAT erred in finding the reasoning of the ET to be unimpeachable [164]. As for McCloud, the moral and political aims relied upon before the EAT were not argued as separate aims before the ET, such that the reliance the ET placed on a lack of evidence did not concern such aims [91]-[92].

#### *Equal pay and indirect race discrimination claims*

Given the success of the age discrimination claims, the equal pay and indirect race discrimination claims were “*of no real practical significance*” [166]. The court nevertheless stated its view, holding that the claims in McCloud were made out and, subject to one matter on which remission would have been required if the age discrimination claims had not been successful, also in Sergeant.

#### Note

This summary is provided to assist in understanding the Court’s decision. It does not form part of the reasons for the decision. The full judgment of the Court is the only authoritative document.





## **To all administering authorities and local pension boards**

### **Local Government Pension Scheme Advisory Board (SAB) pauses its cost management process**

On 7th February the SAB received confirmation that the cost cap pause and the uncertainty caused by the McCloud case announced in last week's Written Ministerial Statement (as notified in our email of 30th January) applies equally to the LGPS as to the unfunded public service pension schemes. This is disappointing, however given that confirmation the SAB considers it has no option but to pause its own cost management process pending the outcome of McCloud.

The SAB remains committed to honouring the result of its cost management process once the outcome of McCloud is known. In pausing the process it has reserved its position regarding the resubmission of the same or a revised package of benefit improvements and contribution reductions when clarity in this matter has been achieved.

As a result there are currently no changes to benefits planned in respect of the cost cap. This situation will be reviewed once McCloud is resolved which is not expected for some months.

Administering authorities and employers should therefore proceed on the assumption that the scheme will not change in April. In particular employee contributions should be collected in April on the basis of current regulations. The table of employee contribution bands and rates to be implemented with effect from 1st April 2019 under current regulations is shown below.

Contribution bandings 2019/20			
		main scheme	50/50 section
up to	£ 14,400.00	5.50%	2.75%
£ 14,401.00	£ 22,500.00	5.80%	2.90%
£ 22,501.00	£ 36,500.00	6.50%	3.25%
£ 36,501.00	£ 46,200.00	6.80%	3.40%
£ 46,201.00	£ 64,600.00	8.50%	4.25%
£ 64,601.00	£ 91,500.00	9.90%	4.95%
£ 91,501.00	£ 107,700.00	10.50%	5.25%
£ 107,701.00	£ 161,500.00	11.40%	5.70%
£ 161,501.00	or more	12.50%	6.25%

Further information including a copy of the McCloud Appeal Court Judgement, the Written Ministerial Statement (WMS) and the letter confirming LGPS inclusion in the WMS is available on the SAB website by following this link

<http://www.lgpsboard.org/index.php/structure-reform/cost-management>.

A Q&A for administering authorities covering the McCloud case and including the potential outcomes and possible timelines will appear on the site shortly.

8th Feb 2019



## McCloud Q&A

[Print](#)

### The McCloud case Q&A for administering authorities

This Q&A outlines the potential timescales and possible outcomes of the McCloud case and its impact on the cost cap process. Throughout it will refer to the 'cost cap' which is the Government's Employer Cost Cap process as required under the Public Service Pensions Act 2013. There are also references to the SAB cost management process which is both separate and additional to the cost cap. Further information on both these processes can be found back on the [Cost management page](#) of this site.

**At the end there is a question for administering authorities regarding the approach to the 2019 valuation. Please consider your view on this important matter and send your response to [robert.holloway@local.gov.uk](mailto:robert.holloway@local.gov.uk) by Friday 1st March 2019.**

#### What is the McCloud case?

The case concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

#### What are the potential implications of the case?

If the protections are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be 'upwards' - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.

#### If the case is about the judges and firefighters schemes why could it apply to all public service schemes?

Protections were applied to all members within 10 years of retirement in all public service schemes, with the form that protection took varying from scheme to scheme. Although the case only relates directly to two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes.

#### Will there be a further appeal?

The Government has applied to the Supreme Court for permission to appeal. Normally a decision on whether to grant permission is received within 3 months of the application, so by mid-April 2019.

#### Why has the cost cap process been paused due to McCloud?

Should the finding of the Court of Appeal stand then significant changes to public service schemes may be required. Depending on extent and cost of these changes there could be a material impact on the outcome of the cost cap process.

#### What happens if the application to the Supreme Court is refused?

In this case the matter would be referred back to the Employment Tribunal for a remedy hearing. This would normally involve the submission of detailed evidence and could take 12 months or longer to reach a hearing. Once a Tribunal makes a finding on remedy, compensation will be awarded and the schemes amended as appropriate. Alternatively the parties might agree a remedy prior to any hearing and in any event we expect that the cost cap process will be re-run taking into account the remedy and any scheme amendments.

#### If the application for permission to appeal to the Supreme Court is successful when would a hearing be held?

In normal circumstances this would not be before the end of 2019. It is hoped given the implications of the case that an earlier hearing could be arranged. However, the hearing date is at the discretion of the Supreme Court and will depend on matters such as the priority it attaches to the case, the Court's workload and the current cases timetable.

#### **What happens if the Supreme Court upholds the findings of the Court of Appeal?**

As with a rejection of the application for a hearing, the matter would be referred back to the Employment Tribunal for a remedy hearing. This would normally involve the submission of detailed evidence and could take 12 months or longer to reach a hearing. Once a Tribunal makes a finding on remedy, compensation will be awarded and the schemes amended as appropriate. Alternatively the parties might agree a remedy prior to any hearing and in any event we expect that the cost cap process will be re-run taking into account the remedy and any scheme amendments.

#### **What happens if the Supreme Court overturns the Court of Appeal judgment?**

In this case we would expect the cost cap process to restart and result in a similar outcome to those at present.

#### **When would any changes to schemes be effective from?**

In the case of remedies, if the Court of Appeal judgement stands, these could be backdated to the commencement of existing protections in April 2015 (2014 for LGPS). For cost cap changes the Government has stated its intention to apply these from April 2019.

#### **What LGPS protections could be in scope for McCloud?**

Unlike other public service schemes the LGPS moved all members into the CARE scheme whatever their age. However those active members who were within 10 years of their 2008 scheme normal pension age on 31st March 2012 were protected via the statutory underpin. Protected members who meet the criteria for the underpin to apply, will receive the better of their CARE pension or one calculated under 2008 scheme rules.

#### **What remedy could the Employment Tribunal process result in for the LGPS?**

The remedy either agreed prior to or by the Employment Tribunal is designed to compensate those members found to have been discriminated against and may or may not be exactly in line with the benefits of protected members. It would therefore be premature to speculate on the form any remedy might take should the Court of Appeal judgement stand.

#### **Would the SAB cost management process still run in the LGPS?**

Yes in any outcome, it is the intention that the SAB cost management process (taking into account any remedies as a result of McCloud) would still run prior to the completion of the cost cap. At this point the SAB may choose to resubmit the existing proposals or review the package taking into account the cost of any remedy and the impact of backdating.

#### **Will benefit changes have to be backdated to April 2019?**

The SAB is committed to bring forward improvements to benefits costed on the assumption of an April 2019 effective date. However it is concerned about the confusion amongst scheme members which may be caused by the backdating of benefit changes over a potentially significant period and in particular the impact on those who will have left the scheme, voluntarily or otherwise, after April 2019 and prior to the implementation of any scheme changes. The SAB is also acutely aware of the enormous challenge that would be faced by administering authorities and employers in potentially backdating scheme changes over such a significant period. It is therefore currently exploring legal and actuarial options to mitigate these challenges while meeting its obligation to bring forward changes that reflect in full the cost of benefit improvements from April 2019.

#### **Will any benefit changes from McCloud be taken into account in the 2019 LGPS valuations?**

That will depend on when the timing of the various potential outcomes and the availability of a confirmed set of changes. Although such changes could potentially be taken account of up to March 2020, realistically October 2019 is the cut-off date given the need for employers to set budgets for 2020-21. If the changes cannot be accounted for in the 2019 valuations, then depending on their extent and cost, an interim valuation may be needed to reset employer contribution certificates.

### Question for LGPS administering authorities

With regards to the 2019 valuations would you prefer:-

A) To receive guidance from the SAB designed to promote a consistency of approach on how McCloud and/or cost management should be taken account of as part of the 2019 triennial valuation exercise. Such guidance would take the form that;

- i. If there is no finalised outcome on McCloud/Cost cap (including a commitment by government to detailed benefit changes) by 31st August 2019 then the scheme benefit design used in the valuation should be as set out in current regulations.
- ii. Each administering authority would then, with their Actuary, consider how they approach (and reflect in their FSS) the risk around this matter in the same way as they would for other financial, employer and demographic risks.
- iii. Once the outcome of McCloud is known and appropriate benefit changes are made administering authorities would, if they deem appropriate, re-visit employer contributions under such guidance or provision in regulation as may be available at that time.
- iv. A consistent approach to delaying or method of estimating exit credits and payments

Or

B) To have no central guidance and instead leave it to each administering authority to determine their own approach to their valuation (including any potential cost from McCloud or cost cap) taking advice from their actuarial adviser.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04</b>
<b>Date: 6 March 2019</b>	

## **Update on Pension Fund Activity**

Report by the Compliance Manager

Enquiries to Amanda Crawford 03330 321763

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

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

- 2018/19 business plan;
- Risk Management; and
- Scorecard.

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

- 2019/20 business plan.

### **2. Recommendations**

2.1 That the Board notes:

- progress against the 2018/19 business plan;
- the current risks with a residual score of six or above; and
- the latest scorecard measures.

2.2 That the board agrees:

- the detailed actions proposed for the 2019/20 business plan (contained within Annex A).

### **3. Background**

3.1 The following documents accompany this report:

- an update on the 2018/19 business plan at Annex A;
- risks with a residual score of six or above are detailed at Annex B; and
- the full scorecard is attached at Annex C.

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

4.1 Matters subject to separate agenda items include:

- Governance Compliance Statement and PAB Review (PSB 06);
- Quarterly report from Investment Steering Committee (PSB 08);
- Pooling update (PSB 13).

### **5. Business Plan 2018/19**

5.1 Of the 21 objectives for 2018/19:

- 8 (38%) has been completed;
- 11 (52%) are in progress of which 6 (29%) are subject to items elsewhere on this agenda;
- 2 (10%) are scheduled to commence later in the year.

5.2 In addition, the further proposed 2019/20 Business Plan Actions have been included within Annex A of agenda item 5 from pages 10 to 13.

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

6.1 The 3-year Business Plan has not been brought under this agenda item as it is under review and an update has been provided at agenda item 5.

### **7. Risk Register**

7.1 There are currently 83 risks in the Fund's risk register of which 11 have a residual score of six or more (amber) and are shown at Annex B.

### **8. Scorecard**



- 8.1 The scorecard is shown at Annex C.
- 8.2 Measure 1.1.5 has changed from green to amber highlighting the results of the 2018 Employer Survey where the 95% target for positive responses was missed by 0.03%.
- 8.3 Measure 1.2.1 has improved since the last quarter showing that PSB Members have exceeded their training target of 90%.
- 8.4 Measure 1.2.2 has improved since the last quarter with the PSB achieving a 91% attendance rate at their meetings.
- 8.5 Measure 1.4.4 has changed from green to red due to the current vacancy on the Essex Pension Fund Advisory Board. This is covered at agenda item 6 of this agenda pack.
- 8.6 Measure 2.2.1 has improved since the last quarter with the ISC achieving an 82% attendance rate at their meetings.
- 8.7 Measure 4.3.1 has improved since that last quarter with the Investment Team now staffed and trained to carry out their duties.
- 8.8 Measure 4.4.2 has changed from green to amber highlighting a late paper being provided to the PSB at their December 2018 meeting. This was due to the Fund waiting for information to be provided from the Fund's Actuary.
- 8.9 Measure 5.1.3 has changed from green to amber highlighting the results of the 2018 Employer Survey where the 95% target for positive responses in relation to the Essex Pension Fund's friendliness was missed by 1%.
- 8.10 Measure 5.2.1 has changed from green to amber highlighting the results of the 2018 scheme member survey where the 95% target for positive responses in relation to the clarity of the Fund's website was missed by 2.5%.
- 8.11 Measure 5.2.6 has changed from green to red highlighting the results of the 2018 employer survey where the 'increase' target for responses decreased by 23.3%.
- 8.12 Measure 5.2.7 has changed from green to amber highlighting the results of the 2018 employer survey where the 95% target for positive response in relation to feedback from the Fund's training events was missed by 2.3%.

## **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 The revised risk register is reported at agenda item 5.

## **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 has required significant input by officers and advisers to bring some of the actions to conclusion.

## **13. Background Papers**

13.1 None.

## Essex Pension Fund Business Plan 2018/19

### Governance

#### Objectives:

- Provide a high-quality service whilst maintaining value for money
- Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice
- Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise
- Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk and compliance
- Continually measure and monitor success against our objectives

Action	How will this be achieved?	Officer managing action*	Progress as at end January 2019	2019/20 Business Plan
1. Annual business plan will be put in place.	Proposed actions for 2018/19 business plan actions were approved at March 2018 Board.	DfEPF & HoEPF	Complete.	Remove - BAU

Action	How will this be achieved?	Officer managing action*	Progress as at end January 2019	2019/20 Business Plan
2. Further roll out of training and training needs assessments	Training & training needs assessments will continue in 2018/19. Specific provision will be made for any new Board Members.	Fund officers / IGAA	<p>In progress -</p> <p>A training presentation was provided to the PSB at its 12 September meeting in addition to a session on Pooling. Since this meeting, all PSB, ISC and PAB members have been made aware of the Pension Regulator and CIPFA modules they are required to complete. The training requirements have been discussed with the new IGAA and a plan is in the process of being developed to deliver training requirements for the next two years.</p>	<p>Remain:</p> <p>further roll out of training and training needs assessments;</p> <p>training &amp; training needs assessments will continue in 2019/20; and</p> <p>a revised training strategy and training plan is to be developed.</p>

Action	How will this be achieved?	Officer managing action*	Progress as at end January 2019	2019/20 Business Plan
3. 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	<p>Complete.</p> <p>The Governance Compliance Statement was reviewed by the PSB at its 4 July 2018 meeting. EPF updated the Statement and included the document within the 2017/18 Annual Report &amp; Accounts. The full Governance Policy, including the revised Terms of Reference for the ISC, will be sent out to full council for endorsement.</p>	<p>Remain:</p> <p>annual review of governance policy;</p> <p>review governance policy to ensure it is relevant and up to date, including the governance compliance statement; and</p> <p>TORs for all Boards/Committee to be reviewed.</p>

Action	How will this be achieved?	Officer managing action*	Progress as at end January 2019	2019/20 Business Plan
4. Annual review of Pension Fund Board	Review the effectiveness of the Pension Fund Board and the services supplied to it.	DfEPF, HoEPF & IGAA	A governance review is due to be undertaken during 2019 by the IGAA.	Remain:  annual review of Pension Fund Board;  review of Pension Fund Board membership; and  review the effectiveness of the Pension Fund Board and the services supplied to it.
5. IGAA Procurement	Current IGAA contract under the LGPS Framework expires 31 October 2018. Using the framework, with agreement from the PSB, a new tender exercise will commence during October and November 2018.	DfEPF & HoEPF	Complete.  Tender exercise was completed with applications received on 2 November 2018. Interviews took place on 8 November 2018. IGAA informed of successful appointment 14 November 2018. Officially appointed IGAA via contract 3 December 2018.	Remove – appointed for 7-year period.

## Investments

### **Objectives:**

- To maximise the returns from investments within reasonable risk parameters
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented
- Ensure investment issues are communicated appropriately to the Fund's stakeholders

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business plan
6. Review of asset allocation	Review of asset allocation as part of the strategy & structure deliberations at the ISC strategy meetings.	DfEPF	In progress –  A performance review took place in July 2018 and a further review is scheduled for February 2019.	Remain:  review of asset allocation;  review of asset allocation as part of the strategy & structure deliberations at the ISC strategy meetings.
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 –  Any asset allocation decisions made by the ISC will be implemented as required during 2018/2019.	Remain:  implement any review of investment allocation arrangement; and  implement the any decisions taken by the ISC strategy in light of the Asset Liability Study.

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business plan
8. To review investment management fees	Ensure that fee monitoring arrangements form part of the annual review of performance.	DfEPF	In progress –  The Fund has participated in CEM cost and performance benchmarking and will be reported to the ISC during Quarter 4 18/19.	Remove - BAU
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	In progress –  The ISS will be kept under review.	Remain:  Review the Investment Strategy Statement (ISS).



Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business plan
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>Progress reports on the Fund's involvement with the ACCESS pool will feature throughout 2018/19.</p>	<p>Remain:</p> <p>respond to the requirements of LGPS structural reform process;</p> <p>developments in relation to LGPS structural reform will be monitored; and</p> <p>this will remain in the business plan until transition of assets is complete.</p>

# Funding

## Objectives

- To prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement
- To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible
- To ensure 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, where necessary, of employer specific funding objectives
- To maintain liquidity in order to meet projected net cash-flow outgoings
- To minimise unrecoverable debt on termination of employer participation

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business Plan
11. Interim Review as at 31 March 2018.	An interim review of the Fund as at 31 March 2018 will be commissioned from the Actuary.	HoEPF & DfEPF	Complete	Remove and replace with:  Actuarial Valuation as at 31 March 2019;  a triennial valuation will be commissioned from the Fund Actuary; and  the various processes of the Valuation will take place throughout 2019/20.

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business Plan
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	Complete	Remain:  review Funding Strategy Statement as part of 2019/20 triennial valuation process.
13. Employer participation	Employer participation and membership of the Essex Pension Fund will be monitored on an on-going basis.	HoEPF & DfEPF	In progress -  Employer participation will continue to be reviewed during 2018/2019.	Remove - BAU

## 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
- Clearly establish the levels of performance the Fund and its employers are expected to achieve in carrying out their functions
- Develop successful partnership working between the Fund and its employers

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business Plan
14. Complete the annual end of year data exercise as at 31 March	Complete year end accounting gathers information from employer and update UPM and produce annual benefit statements.	HoEPF	Complete.	Remove - BAU
15. Administration Strategy	The Administration Strategy will be monitored annually.	HoEPF	Complete.	Remove - BAU

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business Plan
16. Implementation of UPM (administration system)	Ongoing phased implementation will continue through 2018/2019.	HoEPF	<p>In progress –</p> <p>To date 31,000 individual scheme members have been invited to use “<i>Member online</i>” of whom 9,500 have registered.</p> <p>221 Employers have registered and are using “<i>Employer online</i>”.</p> <p>Officers on the Systems Team are exploring “<i>Retire online</i>”.</p>	<p>Remain:</p> <p>implementation of UPM (administration system); and</p> <p>ongoing phased implementation will continue through 2019/20.</p>
17. Review of staffing structure	A review is scheduled to complete during 2018/19.	DfEPF & HoEPF	Complete	Remove - BAU

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business Plan
18. 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	<p>In progress –</p> <p>The project will continue in 2018/19.</p> <p>An update on the project's completion date will be brought to the December 2018 PSB meeting.</p>	<p>Remain:</p> <p>confirmation of GMP entitlement;</p> <p>confirming the GMP (Guaranteed Minimum Pension) element of all scheme members'; and</p> <p>will remain ongoing until the project is completed.</p>

Action	How will this be achieved?	Officer managing action*	Progress as at January 2019	2019/20 Business Plan
19. Implementation of GDPR	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	<p>A plan is in place to ensure compliance with GDPR requirements.</p> <p>Short and full privacy notices, a memorandum of understanding for employers and an FAQs document have been uploaded to our website.</p> <p>Wording has been added to the drafted Annual Benefit Statements to signpost members where GDPR information and the privacy notices can be found on the website.</p> <p>In Progress –</p> <p>A review of documents held on our Pension Administration System that refers to previous Data Protection legislation and updating these as appropriate – started.</p> <p>Further Staff Training – mandatory training due to be completed by 31 December 2018.</p> <p>Data Scoring – elements completed – work ongoing.</p>	Remove - BAU

## 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 January 2019	2019/20 Business Plan
20. Monitor Communications Policy	The communications policy will be reviewed during 2017/2018	HoEPF	A review of the communications policy will be carried out in quarter 4 of 2018/19.	Remain:  Monitoring of the Communications Policy; and  the communications policy will be reviewed during 2019/20.
21. Communication GMP entitlement	All Employees involved will be communicated with confirming the GMP (Guaranteed Minimum Pension) element of their Pension entitlement.	HoEPF	In progress –  The project will continue in 2018/19. An update will be provided at the December 2018 PSB.	Remain:  communication of GMP entitlement;  all Employees involved will be communicated with confirming the GMP (Guaranteed Minimum Pension) element of their Pension entitlement; and  this will remain ongoing until the project is completed.

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



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	Amanda Crawford	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 Compliance Team are monitoring achievement.
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	6	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.
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

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	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	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	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.
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.
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	2	6	9	Kevin McDonald / Jody Evans	The new structure officially launched during September 2018. New/outstanding vacancies are being recruited. We have now recruited over 2/3's of vacancies. Another recruitment campaign will commence in the new year (2019).
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 - October to December 2018

### 1. GOVERNANCE

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

1

4

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

5

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

2

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

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

3

9

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

2

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

1

4

### 5. COMMUNICATIONS

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

1

3

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

1

4

2

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, Kelly Armstrong and Amanda Crawford

## Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.1.1 Cost per scheme member	2nd	quartile	G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Dec)
1.1.2 Number of scheme member complaints	3		G	G	5 or under	20 or under	Low	Quarterly
1.1.3 Number of scheme member compliments	19		G	G	15 or more	60 or more	High	Quarterly
1.1.4 Scheme member survey - % of positive answers	96.7%	%	G	G	95%	95%	High	Annual (Mar)
1.1.5 Employer survey - % of positive answers	94.7%	%	G	A	95%	95%	High	Annual (Mar)

## Rationale for performance status and trend

1.1.1. Cost per member was £16.41 in 2017/18 compared to the CIPFA Benchmarking average of £21.85.
1.1.2. The number of complaints received in the 3 months to 31 December 2018 was 3.
1.1.3. The number of compliments received in the 3 months to 31 December 2018 was 19.
1.1.4. In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey (122 in April 2017). 34 negative responses were received from a total of 1034 individual answers resulting in a 96.7% positive response rate. The previous survey was 99.8%. The Fund will carry out an extensive review of the questions asked in preparation for the 2019/20 Survey.
1.1.5. In November 2018 an Employer Survey was issued to 654 Employers (496 in 2017) who were invited to participate. 51 Employers responses were received (154 in June 2017). 17 negative responses were received from a total of 320 individual answers resulting in a 94.7% positive response. The previous survey result for positive answers was 96.6%. The Fund will be reviewing the way in which the survey is communicated and will carry out an extensive review of the questions asked in preparation for the 2019/20 Survey.

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

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

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

**Measure Owner:** Kevin McDonald

**Data lead:** Amanda Crawford

Status	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity	Frequency
1.2.1 Members training	92%		A	G	90%	90%	High	Quarterly
1.2.2 Board Member attendance at Board meetings	91%	%	R	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 equated to 92%. The training strategy is under review in consultation with the Fund's Independent Governance & Administration Advisor (IGAA).

**1.2.2** During the 3rd Quarter there was one PSB meeting (19 December 2018). Attendance has been recorded at 91%.

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

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

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

**Scope:** Actions listed in Business Plan

**Measure Owner:** Kevin McDonald & Jody Evans

**Data lead:** Kevin McDonald & Jody Evans

Status	Value	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.3.1 Fund Business Plan quarterly review - actions on track	38% Complete 52% 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 objectives or projects for the year:

- 8 (38%) has been completed;
- 11 (52%) are in progress;
- 2 (10%) are scheduled to commence later in the year.

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

## 1.4 - Act with integrity and be accountable to our stakeholders

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

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

**Measure Owner:** Kevin McDonald

**Data lead:** Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Polarity	Frequency
1.4.1 Number of complaints made	0		G	G	0	Low	On-going
1.4.2 Number of complaints upheld	0		G	G	0	Low	On-going
1.4.3 The Pension Strategy Board has provision for representatives of employers and scheme members. Appointees are currently in place.	Yes		G	G	Yes	High	Quarterly
1.4.4 The Pension Advisory Board has provision for representatives of both employers and scheme members. Appointees are currently in place.	No		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 During the reporting period, there was one vacancy on the PSB. However, this vacancy was subsequently filled during the same quarter and therefore remains a green score.  
Yes = green; No = red.

1.4.4 During the reporting period, there was one vacancy on the PAB. However, during the December 2018 PSB meeting, it was agreed not to run a recruitment exercise to allow the newly appointed IGAA to review the PAB in its entirety.  
Yes = green; No = red.



## 1.5 - Understand and monitor risk and compliance

**Measure Purpose:** Understand and monitor risk and compliance

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

**Measure Owner:** Kevin McDonald & Jody Evans

**Data lead:** Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.5.1 Number of internal audit reviews finding limited/no assurance	0		G	G	0	0	Low	Annual
1.5.2 Number of internal audit recommendations outstanding	0		G	G	0	N/A	Low	On-going
1.5.3 Percentage of risks on the risk register with a residual score that is classified as amber	13	%	G	G	<20%	<20%	High	Quarterly
1.5.4 Percentage of risks on the risk register with a residual score that is classified as red	0	%	G	G	0%	0%	High	Quarterly
1.5.5 Number of matters raised by external auditors relating to the Essex Pension Fund	0		G	G	0	N/A	Low	Annually (Sep)

### Rationale for performance status and trend

**1.5.1** This includes the 2017/18 internal audit reports that were reported to the PSB at the 12 September PSB meeting. Good assurance (green) was rated with 3 recommendations made.

**1.5.2** The 2017/18 internal audit reports have no outstanding recommendations during this quarter. The Financial Oversight recommendation was completed in April 2018 and the 2 Governance recommendations were completed in July 2018.

**1.5.3** The Fund currently has 83 risks in its register, of which 11 have a residual score that is classified as amber. Full details are at Annex B to this report. NB: all risks are being reviewed as part of the Risk Review. New risks will go live on 01 April 2019. 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 18). Measurement: 0% = green; above 0% = red

**1.5.5** There are no significant recommendations for Members to note in the 2017/18 Annual Results Report from EY which the PSB reviewed at their 12 September 2018 meeting.



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

Data as at: 31 March 2018

**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	7.6	1st	G	G	1st	1st	High
2.1.2 Annual Return compared to Benchmark	7.6	%	G	G	5.5%	5.5%	High
2.1.3 Five year (annualised) return compared to Benchmark	10.7	%	G	G	8.9%	8.9%	High
2.1.4 Five year (annualised) return compared to central expected return of current investment strategy	10.7	%	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	10.7	%	G	G	7.2%	7.2%	High

### Rationale for performance status and trend

2.1.1. The Essex Pension Fund with 7.6% was ranked 1st out of 6 of the peer group which consists of Kent, Suffolk, Norfolk, Cambridgeshire and Bedfordshire. The lowest return within the group was 2.5%. The Pirc Local Authority Universe for the same period was 4.5%.

2.1.2 The annual return of 7.6% was above the benchmark of 5.5%.

2.1.3 The five year return of 10.7% was above the benchmark of 8.9%.

2.1.4 The five year return of 10.7% was above the central expected return of the current investment strategy.

2.1.5 The five year return of 10.7% was above the expected return of the current investment strategy including investment manager outperformance.

## 2.2 - Ensure the Fund is properly managed

**Measure Purpose:** To ensure that the Fund is properly managed  
**Scope:** Attendance at ISC and ISC member skills and knowledge  
**Measure Owner:** Kevin McDonald      **Data lead:** Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
2.2.1 ISC Member attendance at ISC meetings	82	%	A	G	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 October 2018 and 31 December 2018. It includes Appointment Sub Committees and new member induction sessions. This was reported as 78% in the last quarter.

**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:** Amanda Crawford & Samantha Andrews

### 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 - 2.3.4** cover the quarter ending 31 December 2018, during which all arrangements in respect of the ISC met the target.

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

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

All arrangements in place.

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

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

**Scope:** Sources of funding: employer contributions and investments

**Measure Owner:** Kevin McDonald

**Data leads:** Sara Maxey

### Status

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

### Rationale for performance status and trend

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

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

This will be updated after the 2019 Valuation.

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

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

**Scope:** Fund Employers

**Measure Owner:** Kevin McDonald

**Data lead:** Sara Maxey

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

### Rationale for performance status and trend

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

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

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

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

## 3.3 - Consistency between the Investment and Funding strategies

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

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

**Measure Owner:** Kevin McDonald

**Data leads:** Samantha Andrews & Sara Maxey

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

### Rationale for performance status and trend

#### 3.3.1 Long term return assumed by Funding Strategy

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

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

#### 3.3.2 Investment Strategy reviewed

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

This will be updated after the 2019 Valuation.

### 3.4 - Manage employers’ liabilities effectively

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

**Scope:** All employers contributing to the scheme

**Measure Owner:** Kevin McDonald

**Data leads:** Sara Maxey

#### Status

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

#### Rationale for performance status and trend

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

This will be updated after the 2019 Valuation.

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

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

**Measure Owner:** Kevin McDonald

**Data lead:** Sara Maxey & Samantha Andrews

### Status

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

### Rationale for performance status and trend

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

The ISC reviewed its Treasury Management Strategy including cash flow at its March 2018 meeting and is due to review this again at its March 2019 meeting.



### 3.6 - Minimise unrecoverable debt on termination of employer participation

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

**Scope:** All employers contributing to the scheme

**Measure Owner:** Kevin McDonald

**Data leads:** Sara Maxey

#### Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
<b>3.6.1</b> Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.001	%	A	A	0.00%	0.00%	Low	Quarterly
<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

In April 2018 Castle Point Citizens Advice Bureau went into liquidation, the Actuary report was completed and deficit sum was £39k, this represents less than 0.001% of the £6.6bn Fund as at 31 December 2018. The liquidators are still to finish their assessment and therefore this is currently on-going.

**3.6.2** Scoring:

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

The Fund has provided the liquidators with a claim and will provide an update when available.

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

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

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

**Measure Owner:** Jody Evans

**Data lead:** David Tucker and Chris Pickford

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

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

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

**4.1.10** Deferred members statements were issued in June 2018.

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

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

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

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

**Measure Owner:** Jody Evans

**Data lead:** David Tucker and Holly Gipson

### Status

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

### Rationale for performance status and trend

#### 4.1.13

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

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

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

#### 4.1.14

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

Payment of Death Grants detailed analysis	Sep'18 quarter	Dec'18 quarter
A: Notifications of Scheme Member deaths received	64	56
B: Number within A with death grant nomination	31	22
C: Number within B paid in line with nomination held	23	21
D: Number within B paid to next of kin (in instances of predeceased nominee)	2	1
E: Number within A paid to the Estate (in instances of predeceased nominee)	0	0
F: Number within A without death grant nomination	33	34
G: Number within F paid to next of kin	32	31
H: Number within F paid to the Estate	1	0
I: Number paid to holding account as no details of NOK at present	0	3
J: Number within F paid to the Treasury Solicitor	0	0

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

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

**Scope:** All service area budgets within the directorate

**Measure Owner:** Kevin McDonald

**Data lead:** Jody Evans

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

### Rationale for performance status and trend

4.2.1	In the quarter to December 2018, there were no information security breaches.  Green = 0 breaches Amber = 1 or more medium or minor breaches Red = 1 or more major or critical breaches
4.2.2	Not applicable.

## 4.3 - Ensure proper administration of financial affairs

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

**Scope:** Investments and Contributions

**Measure Owner:** Kevin McDonald

**Data leads:** Samantha Andrews & Sara Maxey

### Status

	Value	Units	Previous status	Current status	Current target	Annual target	Polarity	Frequency
<b>4.3.1</b> % of monthly reconciliations of equity and bond investment mandates which are timely	100.0	%	R	G	75%	100%	High	Quarterly
<b>4.3.2</b> % of contributing employers submitting timely payments	98.5	%	A	A	100%	100%	High	Quarterly

### Rationale for performance status and trend

**4.3.1** This quarter saw a huge improvement in % of monthly reconciliations of equity and bond investment mandates due to the Investment team now staffed and trained to carry out their duties.

**4.3.2** For the quarter ending December 2018 **98.5%** of employers submitted timely payments. In cash terms this equated to **99.9%** of a total employer contribution of £39.8m.

There are a small number of employers who do not pay the Fund and they tend to be different small employers each time. However, the Fund has one repeat offender, 'Partyman', who the Fund have to fine each time and have now reported this employer to the Pensions Regulator.

The Fund are considering a new scorecard measure in relation to: 'how many employers have the Fund fined?' and 'how many employers have the Fund reported to the Pensions Regulator?'.

## 4.4 - Compliance with the Fund's governance arrangements

**Measure Purpose:** To ensure compliance with the Fund's governance arrangements agreed by the Council  
**Scope:** Publication of Essex Pensions Funding Board agendas and minutes. Governance arrangements agreed by Board  
**Measure Owner:** Jody Evans/Kevin McDonald      **Data lead:** Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
4.4.1 % of Board agendas sent out 5 working days before meetings	0	%	G	G	0%	100%	High	Quarterly
4.4.2 % of Board items sent out 5 working days before meetings	92	%	G	A	0%	100%	High	Quarterly
4.4.3 % of draft Board minutes available 7 working days after meetings	0	%	G	G	0%	100%	High	Quarterly
4.4.4 % of Board minutes uploaded to internet 12 working days after meetings	0	%	G	G	0%	100%	High	Quarterly
4.4.5 Compliance with governance arrangements - number of governance arrangements not in place	0	number	G	G	0	0	High	On-going

### Rationale for performance status and trend

4.4.1 - 4.4.4 cover the quarter ending 31 December 2018. 4.4.2 is in relation to one Part 2 agenda item missing the publishing deadline due to delayed information received from the Actuary. All other arrangements in respect of the PSB met the target.

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

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

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

**Measure Purpose:** Communicate in a friendly, expert and direct way to our stakeholders, treating all our stake holders equally.  
**Scope:** All scheme members and employers  
**Measure Owner:** David Tucker      **Data lead:** David Tucker and Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.1.1. % of positive responses from the scheme member survey. - <i>Helpfulness of the Pensions Teams.</i>	100.0	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.2. % of positive responses from the Employer Survey. - <i>Expertise of Pensions Teams.</i>	98.0	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.3. % of positive responses from the Employer Survey. - <i>Friendliness.</i>	94.0	%	G	A	95%	95%	High	Annual (Qtr 4)
5.1.4. A Communication Policy is in place for the current year.	Yes		G	G	Yes	Yes	High	Annual (Qtr 4)

Rationale for performance status and trend

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

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

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

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



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

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

**Scope:** All Scheme members and employers

**Measure Owner:** David Tucker

**Data lead:** David Tucker

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.2.1. % of positive responses from the Scheme Member Survey - <i>Clarity of website information.</i>	92.5%	%	G	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.2. % of positive responses from the Scheme Member Survey - <i>Understandable Annual Benefit Statements.</i>	82.0%	%	A	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.3. % of positive responses from the Scheme Member Survey - <i>Communications that suit needs, easy to understand and relevant.</i>	100%	%	G	G	95.0%	95.0%	High	Annual (Qtr 4)
5.2.4. % of positive responses from the Employer Survey - <i>Clarity of Website information.</i>	94.0%	%	A	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.5. Increase in response of the Scheme Member Survey compared to last year.	1.2%	%	G	G	Increase	Increase	High	Annual (Qtr 4)
5.2.6. Increase in response rate of the Employer Survey compared to last year.	-23.3%	%	G	R	Increase	Increase	High	Annual (Qtr 4)
5.2.7 Employer survey - feedback on training and educational materials - % of positive responses	92.7%	%	G	A	95.0%	95.0%	High	Annual (Qtr 4)

### Rationale for performance status and trend

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

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

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

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

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

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

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



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

**Measure Purpose:** Aim for a full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members and employers  
**Scope:** All scheme members and employers  
**Measure Owner:** David Tucker      **Data lead:** David Tucker

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

Rationale for performance status and trend

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

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



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 05</b>
<b>Date: 6 March 2019</b>	

## **2019/20 Objectives, Business Plan, Risk Register and Scorecard**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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

- 1.1 To provide the Board with an update on the development of the 2019/20 Objectives, Business Plan, Risk Register and Scorecard.

### **2. Recommendation**

- 2.1 The Committee should note:

- the 2019/20 Objectives; and
- the plan to review the Scorecard.

- 2.2 The Committee should agree:

- the revised Risk Register; and
- the proposed new Business Plan template.

### **3. Objectives**

- 3.1 During 2018, a review was undertaken on the Fund's objectives. These objectives form the basis of the Business Plan, Risk Register and Scorecard that are presented quarterly to the Pension Strategy Board.
- 3.2 At its July 2018 meeting the Board agreed the 2019/20 objectives which are detailed within the proposed new Business Plan template at Annex A of this report, pages 4 and 5.

### **4. Business Plan**

- 4.1 In paper PSB 04, the Board reviewed the outlook for the 2019/20 Business Plan.
- 4.2 With the appointment of the new Independent Governance and Administration Advisor (IGAA) and in light of the review of objectives, the Fund has started to review their current Business Plan. This will enable a more comprehensive plan to be produced which will allow more succinct reporting on the Fund's achievement against its objectives, management of risks and measurement of the Fund's performance against agreed Key Performance Indicators (KPIs).
- 4.3 An example of the revised template is provided at Annex A of this report.
- 4.4 The Board is invited to:
- review the proposed template;
  - provide comments to the Fund; and
  - approve the template which would be brought back the Board at a future meeting for endorsement.

### **5. Revised Risk Register**

- 5.1 A significant amount of work has now been undertaken on the full risk register (83 risks). All risks have been reviewed by Officers, meetings have taken place with the IGAA in addition to dialogue with investments advisers and the Fund Actuary.
- 5.2 The format of Risk Register has been revised to align to the format of the Essex County Council (ECC) risk registers. This provides further detail on the control activities/mitigations and their owners.
- 5.3 The revised Risk Register now has 46 risks recorded. An overview of developments within the Risk Register is set out below.

Risk Type	Total Previous risks	Total Revised risks	No. Previous Amber risks	No. Revised Amber risks	No. Deleted / Merged risks	No. New risks added
Governance	22	15	2	6	11	4
Investment	16	8	2	4	9	1
Funding	21	10	5	8	12	1
Administration	18	9	4	3	11	2
Communications	6	4	1	0	4	2
<b>TOTAL</b>	<b>83</b>	<b>46</b>	<b>14</b>	<b>21</b>	<b>47</b>	<b>10</b>

5.4 From the above table you will note:

- 46 risks have been deleted/merged with other risks to reduce repetition;
- amber rated risks have increased due the revised risk wording descriptions. For example, we have now captured more causes within one risk description.

5.5 All risks were amended to improve their risk description wording.

5.6 Risk Scoring has been revised to better align to the ECC's Risk Scoring Matrix.

5.7 The difference to note is there will no longer be a use for the 'yellow' scoring where threats were scored as medium. In line with the ECC's matrix, low and medium are scored as 'green', high as 'amber' and very high as 'red'.

5.8 The Board is invited to:

- approve the revised Risk Register which is contained at Annex B of this report.
- review the change log which is contained at Annex C of this report.

## 6. Scorecard

6.1 The Fund is working with the IGAA to review the Scorecard in its current format. A new template is in the process of being drawn up with the revision of KPIs.

- 6.2 The Fund's IGAA is assisting with the build of this revised scorecard and therefore will incur additional costs to the Fund. The re-build will be time consuming and therefore may not go live until 20/21. Officers will report against the new objectives using the current format.

## **7. Risk Implications**

- 7.1 Maintaining an up to date risk register is best practice.

## **8. Communication Implications**

- 8.1 Other than ongoing reporting to the PSB, there are no communication implications.

## **9. Finance and Resource Implications**

- 9.1 The revision of the objectives and risk register has been a challenging piece of work with the final phase, revision of the Business Plan and Scorecard, still to be completed. Although significant input will still be required by officers and advisors on the development of the revised scorecard, the 2019/20 quarterly updates and annual review of objectives, risk and scorecard will be less of a burden on resources as these documents will remain live and will be amended in-year as and when required.

## **10. Background Papers**

- 10.1 Review of Objectives and Risk provided to the PSB at its meeting held on 4 July 2018, agenda item 9.
- 10.2 Update of Pension Fund Activity provided to the PSB at its meeting held on 12 September 2018, agenda item 6.
- 10.3 Revised Investment and Funding Risks provided to the ISC at its meeting held on 28 November 2018, agenda item 5.
- 10.4 Risk Review provided to the PSB at its meeting held on 19 December 2019, agenda item 5.
- 10.5 Revised Investment and Funding Risks provided to the ISC at its meeting held on 20 February 2019, agenda item 5.

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

# **ESSEX PENSION FUND**

**Administered by  
Essex County Council**

## **BUSINESS PLAN 2019/20 TO 2021/22**

**March 2019**

## Introduction

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

The purpose of the business plan is to:

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

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

### Further Information

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

[add contact details]



## Background to the Essex Pension Fund

The Essex Pension Fund ("EPF") is a £XXbn<sup>1</sup> Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in the South East of England and employees of other qualifying bodies which provide similar services.

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

### Governance and Management of the Fund

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

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

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

This structure is illustrated below.

[add diagram]

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

### The Pension Fund Management Team

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

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

---

<sup>1</sup> Information correct as at XX 2019.

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

[add diagram]

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

## **Aims and Objectives for the Management of the Fund**

**Our Mission Statement is:**

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)

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

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

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

### **Governance**

- Provide a high quality service whilst maintaining value for money.
- Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise.
- Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times.
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.
- Understand and monitor risk and compliance.
- Continually measure and monitor success against our objectives.

### **Investments**

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

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

### **Funding**

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

### **Administration**

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

### **Communications**

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

## Business as usual

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

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

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

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

**Governance**

**Accountancy**

**Funding**

**Investments**

**Administration**

**Payroll**

**Communication**

**Technical**

## The plan for the next three years

### Key Challenges and Influences

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

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

### Budget

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

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

#### Cash flow projection for 2019/20

[add]

#### Operating Cost Budget 2019/20

[add]

## Delivering the Business Plan

### Monitoring and Reporting

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

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

### Key Risks

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

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

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

Key:

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

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

## Training Plan

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

Title of session	Training Content	Timescale	Audience

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

### Governance

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

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

#### 1.1 – [Title]

What is it?

[Short explanation – no more than about ten lines]

#### Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]

#### Resource and Budget Implications

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

#### 1.2 – [Title]

What is it?

[Short explanation – no more than about ten lines]

#### Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]



## Resource and Budget Implications

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

Example of wording that could be used:

## 1.1 – Review/Tender Investment Consultancy Contracts

### What is it?

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

### Timescales and Stages

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

### Resource and Budget Implications

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

Potential areas to list under governance:

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

## Funding and Investments

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

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

### 2.1 – [Title]

What is it?

[Short explanation – no more than about ten lines]

#### Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]

#### Resource and Budget Implications

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

Potential areas to list under funding/investments:

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

## Administration and Communications

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

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

### 3.1 – [Title]

What is it?

[Short explanation – no more than about ten lines]

#### Timescales and Stages

[Description of stage]

[When]

[Description of stage]

[When]

[Description of stage]

[When]

#### Resource and Budget Implications

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

Potential areas to list under admin/comms:

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

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

To be completed.

DRAFT

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
G1	G1	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage	Quarterly	1. PSB is in place (ECC's s101 Committee). 2. ISC is in place (ECC's s101 Sub-Committee). 3. PAB is in place (in the local Pension Board as required under PSPA 2013). 4. EPF routinely monitor the Business Plan, Risk Register and Scorecard. All of which are reported to the PSB at each meeting. 5. EPF work with the IGAA to seek guidance on work practices. 6. EPF monitor and use Governance networks for best practice (LGA). 7. Training Policy for both Members and staff. 8. Advice taken from Advisors.	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3. Amanda Crawford - Compliance Manager 4. Amanda Crawford - Compliance Manager 5. Amanda Crawford - Compliance Manager 6. Amanda Crawford - Compliance Manager 7. Jody Evans - Head of Essex Pension Fund 8. Jody Evans - Head of Essex Pension Fund	1	4	4	Amanda Crawford - Compliance Manager	Treat
G2	G3	Provide a high quality service whilst maintaining value for money	Failure to disclose material facts, or the disclosure of incorrect or incomplete information, in the Report and Accounts or during the audit leads to incorrect or incomplete published Report and Accounts	Quarterly	1. External audit programme of works. 2. Internal audit programme of works. 3. External audit provide a consistency comment when reviewing the Annual Report and Accounts. 4. EPF follow CIPFA guidance and Code of Practice for the content of the Annual Report and Accounts.	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Samantha Andrews - Investment Manager 4. Samantha Andrews - Investment Manager	2	2	4	Samantha Andrews - Investment Manager	Treat
G3	G4	Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables	Quarterly	1. Training Plan is in place. 2. PSB/ISC/PAB Members have to complete CIPFA modules 1-8 on a two-year cycle. 3. Immediate induction training for new members. 4. Training plan is reviewed/adapted to reflect changes within LGPS. 5. EPF use advisors i.e. IGAA to provide relevant information and recommendations. 6. Progress made against training plan is recorded and monitored. 7. Mechanisms are in place to recruit vacancies as they arise.	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3. Amanda Crawford - Compliance Manager 4. Amanda Crawford - Compliance Manager 5. Amanda Crawford - Compliance Manager 6. Amanda Crawford - Compliance Manager 7. Jody Evans - Head of Essex Pension Fund	3	3	9	Amanda Crawford - Compliance Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
G4	G8	Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	Failure of Officers to maintain sufficient level of competence and/or resource to discharge their duties and inefficient retention of staff with over reliance on key officers	Quarterly	1. EPF training plans are being implemented through performance plans. 2. EPF staff attend training events, engage with peer groups and are working towards CIPFA KSF. 3. EPF staff training is recorded and monitored. 4. Teams ensure Standing Operating Procedures (SOPs) are produced to cover key processes. 5. In absence of key officers, EPF utilises external consultants and independent advisors to help in the short-term.	1. David Tucker - Technical Hub Manager 2. David Tucker - Technical Hub Manager and Amanda Crawford - Compliance Manager 3. David Tucker - Technical Hub Manager and Amanda Crawford - Compliance Manager 4. Jody Evans - Head of Essex Pension Fund 5. Jody Evans - Head of Essex Pension Fund	1	3	3	Jody Evans Head of EPF	Treat
G5	G10	Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	Failure to take advice in accordance with statutory requirements over the appointment and terms of appointment of all 3rd party suppliers	Quarterly	1. Formal procurement procedures are being used for all 3rd party suppliers. 2. EPF ensure these arrangements are kept under review. 3 4	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3 4	1	4	4	Amanda Crawford - Compliance Manager	Treat
G6	G12	Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times	Insufficient time and focus taken to look for opportunities	Quarterly	1. Management Team regularly attend appropriate conferences/events/forums. 2. Advisors keep EPF team up-to-date on opportunities. 3 4	1. Jody Evans - Head of Essex Pension Fund 2. Jody Evans - Head of Essex Pension Fund 3 4	3	2	6	Jody Evans Head of EPF	Treat
G7	G13	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Failure to recognise, disclose, monitor and prevent conflicts of interest	Quarterly	1. EPF ensure conflicts of interest are recorded and monitored. 2. Advice provided to members to enable them to recognise potential conflicts. 3. Members adhere to ECC's code of conduct. 4	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3. Amanda Crawford - Compliance Manager 4	1	3	3	Amanda Crawford - Compliance Manager	Treat
G8	G15	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Failure to effectively manage contracts for the supply of services to the Pension Fund leads to reputational damage and financial loss.	Quarterly	1. EPF monitor all contracts via performance measures and contract fulfilment checks. 2 3 4	1. Amanda Crawford - Compliance Manager 2 3 4	2	4	8	Amanda Crawford - Compliance Manager	Treat



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							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
G9	G18	Understand and monitor risk and compliance	Failure to undertake business as usual service due to events outside of EPF control resulting in loss of service provision	Quarterly	1. EPF Business Continuity Plan (BCP) in place. 2. EPF BCP regularly tested including call cascades and desk-top exercises. 3. Testing is recorded and monitored. 4. ECC also exercise their BCP which includes EPF.	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3. Amanda Crawford - Compliance Manager 4. Amanda Crawford - Compliance Manager	3	2	6	Amanda Crawford - Compliance Manager	Treat
G10	G19	Understand and monitor risk and compliance	New risks are not identified or risk register is not kept up to date	Quarterly	1. Risk is part of BAU and is discussed at monthly EPF MT meetings. 2. Director for EPF and Head of EPF formally review risks each quarter. 3. Changed risks and key risks are reported to the PSB at each meeting. 4. Key risks are reported to ECC via JCAD on a quarterly basis. 5. This is recorded and monitored.	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3. Amanda Crawford - Compliance Manager 4. Amanda Crawford - Compliance Manager 5. Amanda Crawford - Compliance Manager	2	4	8	Amanda Crawford - Compliance Manager	Treat
G11	G20	Continually measure and monitor success against our objectives	Inadequate, inaccurate or misrepresented management information leads to financial loss or reputational damage	Quarterly	1. A risk register is in place. 2. A Scorecard is developed from KPI's and Business Plan objectives. 3. Progress in their achievement is reported to the PSB at each meeting. 4. This is recorded and monitored.	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3. Amanda Crawford - Compliance Manager 4. Amanda Crawford - Compliance Manager	2	4	8	Amanda Crawford - Compliance Manager	Treat
G12	G23	Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.	Non compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss	Quarterly	1. EPF monitor the current and new regulations and correspondence from MHCLG and LGA. 2. EPF ensure systems are monitored for accuracy and compliance. 3. The Systems are updated for any new regulatory requirement. 4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds. 5. EPF Officers participate in various scheme and industry groups i.e. CIPFA. 6. EPF utilise the expertise of their Independent Administration and Governance Advisor (IGAA). 7. ISC and PSB receive regular reports on scheme developments. 8. Regular review of Distribution Lists i.e. LGA to ensure correct Officers are receiving relevant information.	1. David Tucker - Technical Hub Manager 2. David Tucker - Technical Hub Manager 3. Chris Pickford - Systems Manager 4. Amanda Crawford - Compliance Manager 5. Kevin McDonald - Director for Essex Pension Fund 6. Amanda Crawford - Compliance Manager 7. Amanda Crawford - Compliance Manager 8. David Tucker - Technical Hub Manager	1	4	4	David Tucker - Technical Hub Manager	Treat

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							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
G13	NEW	Provide a high quality service whilst maintaining value for money	Cyber crime activities impacting on integrity and ability to carry out day-to-day business functions leading to reputational damage and financial loss	Quarterly	1. ECC mitigations for Cyber Crime have been collated however they do not have Cyber Crime Insurance. 2. AON have a Member data and Cyber Security Policy and hold insurance that covers Cyber Crime. 3. CIVICA mitigations for Cyber Crime have not yet been provided and EPF are waiting for confirmation if they have Cyber Crime Insurance. This is being chased. 4. LINK have a Cyber Security Policy and place and hold appropriate Cyber Crime insurance. 5. Barnett Waddingham have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance. 6. Investment Managers: a) Partners Group have elements of cyber security coverage but do not have a standalone Cyber Security Policy in place or insurance; b) Stafford CP have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; c) Northern Trust have a Cyber Security Policy in place however it is unclear if they hold appropriate insurance. EPF will hasten to confirm; d) GSAM have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; e) M&G have a Cyber Security Policy in place however do not hold insurance; f) AVIVA have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; g) Hamilton Lane have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; h) Stewart Investors have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; i) Alcentra have a Cyber Security Policy in place and hold appropriate Cyber Crime Insurance; j) Marathon have a Cyber Security Policy in place and hold insurance that covers Cyber Crime; k) UBS have a Cyber Security Policy in place however it is unclear if they hold appropriate insurance. EPF will hasten to confirm. 7. Tracesmart mitigations have a Cyber Security Policy and hold insurance that covers Cyber Crime. 8. EPF liaise with all control owners at regular intervals to ensure controls remain in place.	1. Amanda Crawford - Compliance Manager 2. Amanda Crawford - Compliance Manager 3. Chris Pickford - Systems Manager 4. Samantha Andrews - Investment Manager 5. Sara Maxey - Employer Manager 6. Samantha Andrews - Investment Manager 7. Sara Maxey - Employer Manager 8. Jody Evans - Head of Essex Pension Fund	1	4	4	Jody Evans - Head of EPF	Treat



Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
G14	NEW	Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.	Regulatory risks impacting on Investments, Funding and Administration:  - Academisation of Schools, the possibility of MAT breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk;  - Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have;  - SCAPE rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions;  - Increased centralisation of the LGPS and HMT taking all the assets / structural change;  - GMP equalisation resulting in potentially additional costs and/or administration;  - National Pensions Dashboard resulting in major changes to data provision;  - Separation of the Fund from the Administering Authority;  - Government intervention in Fund asset allocation decisions.	Quarterly	1. Regular communications with schools to understand their intentions.  2. EPF and their Advisors are actively involved in the development of the LGPS.  3. EPF monitor the current and new regulations and correspondence from MHCLG and LGA.  4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds.  5. EPF utilise the expertise of their Independent Administration and Governance Advisor (IGAA).	1. Sara Maxey - Employer Manager  2. Jody Evans - Head of Essex Pension Fund  3. David Tucker - Technical Hub Manager  4. Amanda Crawford - Compliance Manager  5. Amanda Crawford - Compliance Manager	2	2	4	Sara Maxey - Employer Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
G15	New	Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator’s Codes of Practice.	Fraud against the Fund or insufficient checks and controls results in benefits being paid to the incorrect person or paid when they are not due to an existing beneficiary, and/or loss of assets and/or reputational impact on EPF	Quarterly	1. The Fund participates in the National Fraud Initiative (NFI) in line with Audit requirements using the Tell Us Once system, with Pensions paid via BACs as standard/extra verification undertaken for overseas and non-BACs cases.  2. Internal and External Audit regularly test that controls are in place and working.  3. Age and status verification checks are conducted prior to all benefits being released.  4. Authorised signature list- plus ECC's version.  5. EPF undertake GDPR data protection training with all staff and adhere to relevant ECC data protection policies.  6. Segregation of duties i.e. two signatures are required for any payments directly out of the Fund (Fund Managers). Other payments are verified by one person raising, one person checking and one person authorising.  7. Custodian asset pool - proper process for transfer of assets through LINK.	1. Holly Gipson - Pensioner and Payroll Manager  2. Jody Evans - Head of Essex Pension Fund  3. Holly Gipson - Pensioner and Payroll Manager  4. Kevin McDonald - Director for EPF 5. Jody Evans - Head of Essex Pension Fund  6. Jody Evans - Head of Essex Pension Fund  7. Samantha Andrews - Investment Manager	1	4	4	Kevin McDonald - Director for EPF	Treat

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							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
I1	I1	To maximise the returns from investments within reasonable risk parameters	The total Fund Investment return does not meet expectations which could lead to underfunding.	Quarterly	1. EPF Investment Strategy is reviewed and monitored on a regular basis.  2. Monitoring of: investment manager performance; market conditions. Performance of both assets and liabilities is monitored periodically. 3 4	1. Samantha Andrews - Investment Manager  2. Samantha Andrews - Investment Manager 3 4	3	3	9	Samantha Andrews - Investment Manager	Treat
I2	I6	To maximise the returns from investments within reasonable risk parameters	Investment Managers and/or ACCESS Operator underperform or do not have appropriate benchmarks leading to lower investment returns	Quarterly	1. The performance of Investment Managers and/or ACCESS Operator is subject to regular review. 2 3 4	1. Samantha Andrews - Investment Manager 2 3 4	3	2	6	Samantha Andrews - Investment Manager	Treat
I3	I7	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Failure by EPF or the ACCESS Operator to take advice in accordance with statutory requirements and best practice over appointing and the terms of appointment of investment managers	Quarterly	1. The Fund procures and utilises an Institutional Investment Consultant and an Independent Investment Advisor. 2. EPF ensure these arrangements are kept under review. 3. ACCESS Escalation Policy in place. 4. Appointed Contract Manager within the ASU.	1. Samantha Andrews - Investment Manager 2. Samantha Andrews - Investment Manager 3. Samantha Andrews - Investment Manager 4. Kevin McDonald - Director for EPF	1	3	3	Samantha Andrews - Investment Manager	Treat
I4	I10	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Delays in:  - implementation of decisions; - availability of suitable solutions within the Pool;  which reduces the effectiveness of the decision which could lead to loss of potential return	Quarterly	1. EPF works proactively with Investment Advisors, ACCESS Pool and Investment Managers to scope, propose and implement viable revisions to the Investment Strategy. 2 3 4	1. Samantha Andrews - Investment Manager 2 3 4	3	2	6	Samantha Andrews - Investment Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
15	I13	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Failure of 3rd party service providers to maintain obligations in respect of investments leading to potential loss of return or liquidity, or ability to access or control investment.	Quarterly	1. AAF0106 Annual Control Reviews are carried out.  2. Within the Pool environment the Depository has liability for safekeeping of Pool investments.  3. ASU Contract Manager ensures adherence to the Operator Agreement by the 11 ACCESS Funds and LINK.  4. Formal procurement procedures are being used for all 3rd party suppliers.  5. EPF ensure these arrangements are kept under review.  6. Fund's assets are not included on Custodian's Balance Sheet. Separate Designated Accounted for each mandate.	1. Samantha Andrews - Investment Manager  2. Samantha Andrews - Investment Manager  3. Samantha Andrews - Investment Manager  4. Amanda Crawford - Compliance Manager  5. Amanda Crawford - Compliance Manager  6. Samantha Andrews - Investment Manager	3	2	6	Samantha Andrews - Investment Manager	Treat
16	I15	Ensure investment issues are communicated appropriately to the Fund's stakeholders	Failure to communicate and consult on Investment Matters with stakeholders resulting in lack of understanding and potentially poor decisions being made	Quarterly	1. Investment Strategy Statement is subject to stakeholder consultation.  2. PSB/ISC Members are appropriately trained prior to key decisions being made.  3. Engagement with Employers at triennial valuation.  4.	1. Samantha Andrews - Investment Manager  2. Samantha Andrews - Investment Manager  3. Sara Maxey - Employer Manager  4	1	2	2	Samantha Andrews - Investment Manager	Treat
17	I16	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	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 disinvestment from the current portfolio	Quarterly	1. The Fund has arrangements to ensure that relevant MiFID II "opt ups" to Elective Professional status for all asset mandates is kept under review.  2.  3.  4	1. Samantha Andrews - Investment Manager  2  3  4	1	4	4	Samantha Andrews - Investment Manager	Treat

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I8	NEW	To maximise the returns from investments within reasonable risk parameters	Lack of consideration of all financial and non-financial risks relating to ESG/Responsible Investment (RI) issues leading to poor investment returns, increased employer contribution rates and reputational damage	Quarterly	1. Use of expert consultants in the selection of Investment Strategy and Investment Managers.  2. Regular monitoring of Investment Managers.  3. Regular reviews of Investment Strategy.  4. Compliance with Stewardship Code.	1. Samantha Andrews - Investment Manager  2. Samantha Andrews - Investment Manager  3. Samantha Andrews - Investment Manager  4. Samantha Andrews - Investment Manager	1	3	3	Samantha Andrews - Investment Manager	Treat
F1	F1	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	Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement	Quarterly	1. At each triennial valuation, assess funding position and progress made to full funding.  2. Full annual interim reviews to enable consideration of the position.  3. A specific Scorecard measure is in place on this matter. Current measure 4.3.2 - % of contributing employers submitting timely payments.  4. Work with Employers to ensure they understand their responsibilities.  5. Year-end reconciliation of Member data.	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4. Sara Maxey - Employer Manager  5. Sara Maxey - Employer Manager and Chris Pickford Systems Manager	2	3	6	Sara Maxey - Employer Manager	Treat
F2	F4	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	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	Quarterly	1. Longevity analysis is conducted by the Actuary at each valuation.  2.  3.  4.	1. Sara Maxey - Employer Manager  2.  3.  4.	3	3	9	Sara Maxey - Employer Manager	Treat
F3	F5	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	Demographic experience of Fund population is not in line with actuarial assumptions resulting in increases required in Employer contributions	Quarterly	1. EPF ensures the Employer pay the rates set at each valuation.  2. The Actuary provides a prudent assessment to allow for ill-health cases within the calculations.  3. Any change in demographics are reviewed at subsequent valuations and any underfunding will be addressed.  4.	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4.	1	3	3	Sara Maxey - Employer Manager	Treat



Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
F4	F6	To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	Quarterly	1. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis.  2. A risk analysis is conducted at each triennial valuation by the Funds Actuary.  3. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.  4	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4	2	3	6	Sara Maxey - Employer Manager	Treat
F5	F8	To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible	Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	Quarterly	1. EPF carries out an analysis at each triennial actuarial valuation to ensure that the assumptions adopted are appropriate and monitor actual experience.  2. Discussions with employers over affordability and pay policy are held.  3. Discretions Policy to control discretionary costs.  4	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4	2	3	6	Sara Maxey - Employer Manager	Treat
F6	F13	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	Failure to:  - recognise a weakening (strengthening) in an employer's covenant; - lack of, or inaccurate, information about an employer;  leads to an inappropriate funding approach in respect of that employer	Quarterly	1. EPF monitors and send reminders of employer's responsibilities.  2. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis.  3. A risk analysis is conducted at each triennial valuation.  4. Use of bonds and guarantees.  5. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4. Sara Maxey - Employer Manager  5. Sara Maxey - Employer Manager	3	3	9	Sara Maxey - Employer Manager	Treat
F7	F16	To ensure consistency between the investment strategy and funding strategy	Funding strategy is not aligned with Investment Strategy leading to adverse funding outcomes (over/under funding)	Quarterly	1. The Asset Liability Study is undertaken on a triennial basis.  2. The Funding Strategy and Investment Strategy are reviewed and monitored on a regular basis.  3. The Funding Strategy is aligned with the Investment Strategy.  4	1. Samantha Andrews - Investment Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager and Samantha Andrews - Investment Manager	2	3	6	Sara Maxey - Employer Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
F8	F17	Maintain liquidity in order to meet projected net cash-flow outgoings	The Fund has insufficient cash to pay pensions as they fall due.	Quarterly	1. EPF ensures sufficient investment income is available to supplement contribution income to meet benefit payments.  2. This is reported to the PSB.  3. A specific Scorecard measure is in place on this matter. To link to scorecard measure no.  4. Limit on illiquid assets and levels of diversification from equities and bonds.  5. Projection of expected cash flows and daily monitoring of cash.	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4. Samantha Andrews - Investment Manager  5. Samantha Andrews - Investment Manager	1	3	3	Sara Maxey - Employer Manager	Treat
F9	F19	To minimise unrecoverable debt on termination of employer participation	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee leads to unrecoverable debt and residual liability falls on remaining employers.	Quarterly	1. New employers joining the Fund are required to meet the Funds expectations, covenant, security and guarantee as set out in the Funding Strategy.  2. Existing employers are required to meet the Funding Strategy and Actuarial Valuation obligations.  3. Monitoring of bonds and ongoing monitoring of Employer covenant.  4	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4	3	3	9	Sara Maxey - Employer Manager	Treat
F10	F22	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	The adoption of a funding strategy that causes the Fund to fail any of the GAD s13 tests or be named in the GAD s13 report that causes reputational damage.	Quarterly	1. In consultation with the Actuary, EPF determine an appropriate funding strategy that meets s13 requirements.  2  3  4	1. Sara Maxey - Employer Manager  2  3  4	2	3	6	Sara Maxey - Employer Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
A1	A1	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:  - lack of regulatory clarity; - system issues; - insufficient resources.	Quarterly	1. EPF ensure the System complies with the latest regulatory requirements through: - Technical Hub help to translate regulations and ensure new systems meet regulatory requirements; - Robust testing for system changes - Linking to knowledge and information from software supplier and other LGPS clients using the same administration software.  2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources.  3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.  4	1. David Tucker - Technical Hub Manager and Chris Pickford - Systems Manager  2. Jody Evans - Head of Essex Pension Fund  3. Jody Evans - Head of Essex Pension Fund  4	2	3	6	Jody Evans Head of EPF	Treat
A2	A7	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Excessive costs of administration lead to lack of VFM and poor reputation	Quarterly	1. EPF benchmarks its costs against other Funds and regularly look for efficiency savings for VFM.  2. Costs are monitored and reviewed on a regular basis.  3. Budget and Monitoring processes are in place.  	1. David Tucker - Technical Hub Manager  2. Jody Evans - Head of Essex Pension Fund  3. Jody Evans - Head of Essex Pension Fund  	1	3	3	Jody Evans Head of EPF	Treat



Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
A3	A8	Ensure benefits are paid to the right people at the right time in the right amount	Failure to maintain proper records leading to inadequate data resulting in failure to pay the correct pensions to the right people at the right time	Quarterly	1. Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out.  2. EPF ensure the System is tested regularly to ensure compliance with regulations.  3. Robust checking and validation of data takes place in calculations and receipt of information from employers.  4. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications.  5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.	1. Holly Gipson - Pensioner and Payroll Manager and Daniel Chessell - Retirement Manager  2. Holly Gipson - Pensioner and Payroll Manager and Daniel Chessell - Retirement Manager  3. Chris Pickford - Systems Manager  4. Holly Gipson - Pension and Payroll Manager and Daniel Chessell - Retirement Manager  5. Holly Gipson - Pensioner and Payroll Manager and Daniel Chessell - Retirement Manager	1	3	3	Holly Gipson and Daniel Chessell - Payroll Manager and Retirement Manager	Treat
A4	A9	Ensure contribution income is collected from, the right people at the right time in the right amount	Failure to collect pension contributions in line with regulatory guidelines leads to loss on income to EPF	Quarterly	1. All contributing Employers are provided with deadlines for payments and clear guidelines for providing associated information.  2. EPF monitor receipt of contributions to ensure compliance.  3. EPF follow the Administration Strategy in relation to late payments.  4	1. Sara Maxey - Employer Manager  2. Sara Maxey - Employer Manager  3. Sara Maxey - Employer Manager  4	1	2	2	Sara Maxey - Employer Manager	Treat
A5	A11	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Failure to deal with concerns, complaints and IDRPs appropriately results in poor customer satisfaction, further time spent resolving issues, potential compensation payments and reputation impact, particularly us escalated to the Pensions Ombudsman	Quarterly	1. A process is in place to ensure concerns and complaints are dealt with promptly.  2. Complaint levels and reasons are monitored and process issues are identified and corrected.  3. Complaint levels, IDRP's are reported through the Scorecard and are reported at each PSB.  4	1. Kelly Armstrong - Contact and Customer Manager  2. Jody Evans - Head of Essex Pension Fund  3. Kelly Armstrong - Contact and Customer Manager	1	2	2	Kelly Armstrong - Contact and Customer Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
A6	A14	Data is protected to ensure security and authorised use only and is regulatory compliant	Failure to comply with GDPR and keep data secure, leading to reputational issues or legal/financial penalties	Quarterly	1. EPF conduct a System back-up to protect against data loss.  2. EPF ensure data encryption and password protection.  3. Continuous staff training on data protection/GDPR.  4. All information security breaches are reported and any systematic issues identified and corrected.  5. EPF ensure use of file transfer protocol.	1. Chris Pickford - Systems Manager  2. Jody Evans - Head of Essex Pension Fund  3. Jody Evans - Head of Essex Pension Fund  4. Jody Evans - Head of Essex Pension Fund  5. Chris Pickford - Systems Manager	2	4	8	Jody Evans Head of EPF	Treat
A7	A18	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Unable to meet statutory requirements due to poor employer data	Quarterly	1. Administration Strategy is in place which confirms responsibilities, details points of contact with reference to the website for further information, timescales etc.  2. Administration Strategy is reviewed on a regular basis in consultation with Employers where changes are made.  3. EPF communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes.  4. EPF conducts year-end data cleansing.	1. David Tucker - Technical Hub Manager  2. David Tucker - Technical Hub Manager  3. Jody Evans - Head of Essex Pension Fund  4. Chris Pickford - Systems Manager	2	4	8	Sara Maxey - Employer Manager	Treat
A8	A19	Clearly establish the levels of performance the Fund and its employers are expected to achieve in carrying out their functions	Failure to administer the scheme correctly due to circumstances such as, but not limited to: - Poor employer data; - Unable to clearly articulate what is required from employers; and - Unable to clearly articulate what is required from the Fund itself in order to deliver the Fund's administrative functions	Quarterly	1. Administration Strategy is in place.  2. Administration Strategy is reviewed on a regular basis in consultation with Employers.  3. EPF communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes.  4. EPF ensure all staff adheres to the training requirements set for their posts through regular performance monitoring.	1. David Tucker - Technical Hub Manager  2. David Tucker - Technical Hub Manager  3. Jody Evans - Head of Essex Pension Fund  4. Jody Evans - Head of Essex Pension Fund	1	3	3	Jody Evans Head of EPF	Treat
A9	A20	Develop successful partnership working between the Fund and its employers	Unable to develop and maintain good working relationships between the fund and our employers due to, but not limited to: - Lack of resource at EPF and employers; - Lack of engagement due to other priorities; - Major growth in employer numbers  leading to lack of time to build relationships etc.	Quarterly	1. EPF maintain a Communication Plan which is reviewed and monitored on a regular basis.  2. Forums are held for Employers to keep them up-to-date with Fund information on an annual basis.  3. Workshops are carried out to ensure year-end requirements are communicated.  4	1. David Tucker - Technical Hub Manager  2. Sara Maxey - Employer Manager  3. Chris Pickford - Systems Manager  4	1	2	2	Sara Maxey - Employer Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
C1	C2	Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	Issuing incorrect or inaccurate communications leads to lack of understanding and/or complaints	Quarterly	1. EPF ensure they align their practices to the Communication Policy to enable accurate communications.  2. Dedicated resource for communications.  3. Maintain and update EPF website.  4. Monitor feedback from stakeholders and ensure action taken to address complaints.  5. Staff training is provided to EPF staff to ensure they are kept up-to-date with best practice.	1. David Tucker - Technical Hub Manager  2. David Tucker - Technical Hub Manager  3. David Tucker - Technical Hub Manager  4. Kelly Armstrong - Contact and Customer Manager  5. Jody Evans - Head of Essex Pension Fund	1	3	3	David Tucker - Technical Hub Manager	Treat
C2	C5	Deliver information in a way that suits all types of stakeholder	Information delivered in a way that is not appropriate for members or employers, e.g. too complex, not relevant or in an unsuitable format	Quarterly	1. EPF ensure communications are suitable for all stakeholders and are clear and concise via continual review.  2. An Annual Survey is undertaken to obtain feedback from Employers and Members on the suitability of our communications.  3. Dedicated and specialist resource for communications.  4. Maintain and update EPF website.	1. David Tucker - Technical Hub Manager  2. Amanda Crawford - Compliance Manager  3. David Tucker - Technical Hub Manager  4. David Tucker - Technical Hub Manager	1	2	2	David Tucker - Technical Hub Manager	Treat
C3	C7	Ensure our communications are simple, relevant and have impact	Communications are not customised to specific needs and/or are overly complicated resulting in lack of understanding by all stakeholders	Quarterly	1. An Annual Survey is undertaken to obtain feedback from Employers and Members on the suitability of our communications.  2. Any required changes are reflected in the Communications Policy.  3. Checks are made regularly to ensure EPF complies with the Disclosure Regulation requirements.  4	1. Amanda Crawford - Compliance Manager  2. David Tucker - Technical Hub Manager  3. David Tucker - Technical Hub Manager  4	2	2	4	Amanda Crawford - Compliance Manager	Treat

Risk No.	Previous Risk No.	Objective at Risk	Risk Event, to include: - the area of uncertainty in terms of the threat - cause / trigger - the event or situation that gives rise to the risk - impact – the effect or impact the risk would have if it occurs	Review period	Current Mitigating Actions / Controls	Current Control Owner	Current Assessment of Risk			Risk Owner	Mitigation Approach
							Current				Treat Tolerate Transfer Terminate
							Likelihood	Impact	Risk Rating		
C4	C8	Aim for full appreciation of the pension scheme benefits and changes to the scheme by all scheme members, prospective scheme members and employers	Poor quality or lack of communications can lead to lack of understanding by all stakeholders	Quarterly	1. An Annual Survey is undertaken to obtain feedback from Employers and Members on the suitability of our communications.  2. Any required changes are reflected in the Communications Policy.  3. Forums are held for Employers to keep them up-to-date with Fund information as and when required.  4. Communications plan developed annually and updated in line with further changes to the scheme.  5. Workshops are carried out to ensure year-end requirements are communicated.	1. Amanda Crawford - Compliance Manager  2. David Tucker - Technical Hub Manager  3. Sara Maxey - Employer Manager  4. David Tucker - Technical Hub Manager  5. Chris Pickford - Systems Manager	2	2	4	Amanda Crawford - Compliance Manager	Treat

## Risk Change Log

### Governance

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
G1	G1	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and/or need to make major changes at short notice.	Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage	Work with independent governance adviser to identify possible actions and plan accordingly.	1. PSB is in place (ECC's s101 Committee). 2. ISC is in place (ECC's s101 Sub-Committee). 3. PAB is in place (in the local Pension Board as required under PSPA 2013). 4. EPF routinely monitor the Business Plan, Risk Register and Scorecard. All of which are reported to the PSB at each meeting. 5. EPF work with the IGAA to	3	4	Amended to incorporate G2

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						seek guidance on work practices. 6. EPF monitor and use Governance networks for best practice (LGA). 7. Training Policy for both Members and staff. 8. 8. Advice taken from Advisors.			
G2	None	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Ultra vires Pension Fund actions lead to financial loss and damage reputation.	None	On-going advice from governance officer and independent governance adviser	None	2	None	Deleted – merged with G1
G3	G2	Provide a high-quality service whilst maintaining value for money	Failure to disclose relevant facts in the Report and Accounts or during the audit	Failure to disclose material facts, or the disclosure of incorrect or incomplete information, in the Report and Accounts or	Robust review and sign off process in place to check.	1. External audit programme of works. 2. Internal audit programme of works. 3. External audit provide a	2	4	Amended to incorporate G6 and G7



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
				during the audit leads to incorrect or incomplete published Report and Accounts		consistency comment when reviewing the Annual Report and Accounts. 4. EPF follow CIPFA guidance and Code of Practice for the content of the Annual Report and Accounts.			
G4	G3	Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise	Change to LGPS e.g. move to part DC and lack of expertise in this area in PSB	A lack of expertise or insufficient knowledge amongst the PSB arising out of high and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables	Training plan will be put in place. Use of advisers to provide relevant information and recommendations.	1. Training Plan is in place. 2. PSB Members have to complete CIPFA modules 1-8 on a two-year cycle. 3. Immediate induction training for new members. 4. Training plan is reviewed/ad	4	9	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						<p>apted to reflect changes within LGPS. 5. EPF use advisors i.e. IGAA to provide relevant information and recommendations. 6. Progress made against training plan is recorded and monitored. 7. Mechanisms are in place to recruit vacancies as they arise.</p>			
G5	None	Provide a high-quality service whilst maintaining value for money	Production of incorrect accounts, notices and publications	None	Robust review and sign off process in place to check.	None	2	None	Deleted
G6	None	Ensure the Pension Fund is managed, and its services	Significant change in knowledge amongst PSB	None	Training plan is in place including immediate	None	4	None	Deleted – merged with G3



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		delivered by people who have the appropriate knowledge and expertise	Members due to high turnover of Members		training for new members. The immediate past Chairman is currently undertaking a 6-month role as Specialist Consultant ending December 2017.				
G7	None	Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise	Failure of succession planning for key roles on PSB	None	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	None	6	None	Deleted – merged with G3

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					as Specialist Consultant ending December 2017.				
G8	G4	Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise	Failure of Officers to maintain sufficient level of competence to discharge their duties	Failure of Officers to maintain sufficient level of competence and/or resource to discharge their duties and inefficient retention of staff with over reliance on key officers	Training plans in place through "supporting success". Attendance at training events, engagement with peer group and working towards CIPFA KSF.	1. EPF training plans are being implemented through performance plans. 2. EPF staff attend training events, engage with peer groups and are working towards CIPFA KSF. 3. EPF staff training is recorded and monitored. 4. Teams ensure Standing Operating Procedures (SOPs) are produced to	1	3	Amended to incorporate G9

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						cover key processes. 5. In absence of key officers, EPF utilises external consultants and independent advisors to help in the short-term.			
G9	None	Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise	Failure to delegate matters which should be performed by Officers	None	Clear delegation policies/procedures are in place and reviewed regularly. Independent governance adviser advises on best use of PFB time.	None	1	None	Deleted – merged with G8
G10	G5	Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise	Failure to appoint relevant advisors and review their performance	Failure to take advice in accordance with statutory requirements over the appointment and terms of appointment of	Formulate adviser procurement strategy, including performance measures	1. Formal procurement procedures are being used for all 3rd party suppliers. 2. EPF ensure these arrangement	2	4	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
				all 3rd party suppliers		s are kept under review.			
G11	None	Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise	If there is inadequate succession planning, staff could leave or go on long term absence and others may not have the skills to pick up those areas of work	None	Ensuring key areas are covered by at least two members of staff.	None	2	None	Deleted – merged with G12
G12	G6	Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times	Insufficient staff causes failure to free up time to look for other best practice areas then opportunities may be missed	Insufficient resource to look for opportunities	A consultation on a revised staffing structure commenced in late January 2018.	1. Management Team regularly attend appropriate conferences/ events/forum s. 2. Advisors keep EPF team up-to-date on opportunities	6	6	Amended to incorporate G11
G13	G7	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are	Failure to recognise conflicts of interest	Failure to recognise, disclose, monitor and prevent conflicts of interest	Board is regularly trained to recognise conflicts and ensure frequent	1. EPF ensure conflicts of interest are recorded and monitored. 2.	2	3	Amended to incorporate G14

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		robust and well based			discussions as part of business as normal	Advice provided to members to enable them to recognise potential conflicts. 3. Members adhere to ECC's code of conduct.			
G14	None	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	If conflict of interests arise within PSB then lower contribution rates could be set that put future solvency at risk	None	Board is regularly trained to recognise conflicts and ensure frequent discussions as part of business as normal	None	2	None	Deleted – merged with G13
G15	G8	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Infringement of contracts for the supply of services (investment management, investment advice, actuarial services, custodial services etc.) to the Pension Fund leads to	Failure to effectively manage contracts for the supply of services to the Pension Fund leads to reputational and financial loss.	Monitor contracts via performance measures and contract fulfilment checks	1. EPF monitor all contracts via performance measures and contract fulfilment checks.	1	8	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			reputational and financial loss.						
G16	None	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Failure to produce proper signed notes of relevant meetings	None	All notes prepared by properly trained officer and agreed with other officers/advisers as well as PFB.	None	1	None	Deleted
G17	None	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	Failure of PSB members to leave their potential prejudices behind	None	Regularly review performance of PFB members and committee actions	None	2	None	Deleted
G18	G9	Understand and monitor risk and compliance	Failure of business continuity planning	Failure to undertake business as usual service due to events outside of EPF control resulting in loss of service provision	Business continuity plan in place and regularly tested	1. EPF Business Continuity Plan (BCP) in place. 2. EPF BCP regularly tested including call cascades and desk-top exercises. 3. Testing is recorded and monitored. 4.	1	6	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						ECC also exercise their BCP which includes EPF.			
G19	G10	Understand and monitor risk and compliance	New risks are not identified, or risk register is not kept up to date	New risks are not identified, or risk register is not kept up to date	DfEPF & HoEPF formally review risks each quarter. Changed risks and key risks reported to PFB each meeting.	1. Risk is part of BAU and is discussed at monthly EPF MT meetings. 2. Director for EPF and Head of EPF formally review risks each quarter. 3. Changed risks and key risks are reported to the PSB at each meeting. 4. Key risks are reported to ECC via JCAD on a quarterly basis. 5. This is recorded	2	8	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						and monitored.			
G20	G11	Continually measure and monitor success against our objectives	Failure to have formal monitoring of KPIs in place leads to officers being unable to produce accurate performance management reports.	Inadequate, inaccurate or misrepresented management information leads to financial loss or reputational damage	KPIs are in place and support measures within section 4.1 of the scorecard.	1. A risk register is in place. 2. A Scorecard is developed from KPI's and Business Plan objectives. 3. Progress in their achievement is reported to the PSB at each meeting. 4. This is recorded and monitored.	4	8	Amended to incorporate G21
G21	None	Continually measure and monitor success against our objectives	Risk of manual intervention when producing management reports leading to lack of audit trail	None	Review reporting requirements and consider use of automated extraction from UPM of required data	None	2	None	Deleted – merged with G20
G22	None	Pursue socially responsible	Failure to manage the	None	The PAB was introduced in 2015 and its	None	1	None	Deleted – merged with new G12



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		business practices	Fund in line with policies		Terms of Reference include assisting the Scheme Manager to comply with Regulations.				
None	G12	Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.	None	Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss	None	1. EPF monitor the current and new regulations and correspondence from MHCLG and LGA. 2. EPF ensure systems are monitored for accuracy and compliance. 3. The Systems are updated for any new regulatory requirement. 4. EPF keeps abreast of developments, participating	None	4	New and incorporated G22

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						<p>in consultations and collaborating with other Funds.</p> <p>5. EPF Officers participate in various scheme and industry groups i.e. CIPFA. EPF utilise the expertise of their Independent Administration and Governance Advisor (IGAA).</p> <p>7. ISC and PSB receive regular reports on scheme developments.</p> <p>8. Regular review of Distribution Lists i.e. LGA to ensure</p>			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						correct Officers are receiving relevant information.			
None	G13	Provide a high-quality service whilst maintaining value for money	None	Cyber-crime activities impacting on integrity and ability to carry out day-to-day business functions leading to reputational damage and financial loss	None	1. ECC mitigations for Cyber Crime have been collated however they do not have Cyber Crime Insurance. 2. AON have a Member data and Cyber Security Policy and hold insurance that covers Cyber Crime. 3. CIVICA mitigations for Cyber Crime have not yet been provided and EPF are waiting for confirmation	None	4	New

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						<p>if they have Cyber Crime Insurance. This is being chased. 4. LINK have a Cyber Security Policy and place and hold appropriate Cyber Crime insurance. 5. Barnett Waddingham have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance. 6. Investment Managers:</p> <p>a) Partners Group have elements of cyber security coverage but do not have a standalone Cyber</p>			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						Security Policy in place or insurance; b) Stafford CP have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; c) Northern Trust have a Cyber Security Policy in place however it is unclear if they hold appropriate insurance. EPF will hasten to confirm; d) GSAM have a Cyber Security Policy in place and hold appropriate			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						Cyber Crime insurance; e) M&G have a Cyber Security Policy in place however do not hold insurance; f) AVIVA have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; g) Hamilton Lane have a Cyber Security Policy in place and hold appropriate Cyber Crime insurance; h) Stewart Investors have a Cyber Security			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						Policy in place and hold appropriate Cyber Crime insurance; i) Alcentra have a Cyber Security Policy in place and hold appropriate Cyber Crime Insurance; j) Marathon have a Cyber Security Policy in place and hold insurance that covers Cyber Crime; k) UBS have a Cyber Security Policy in place however it is unclear if they hold appropriate			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						insurance. EPF will hasten to confirm. 7. Tracesmart mitigations have a Cyber Security Policy and hold insurance that covers Cyber Crime. 8. EPF liaise with all control owners at regular intervals to ensure controls remain in place.			
None	G14	Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's	None	Regulatory risks impacting on Investments, Funding and Administration:  - Academisation of Schools, the possibility of MAT breakups	None	1. Regular communications with schools to understand their intentions. 2. EPF and their Advisors are actively	None	4	New



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		Codes of Practice.		<p>and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk;</p> <p>- Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have;</p> <p>- SCAPE rate changes that will significantly increase transfer values</p>		<p>involved in the development of the LGPS. 3. EPF monitor the current and new regulations and correspondence from MHCLG and LGA. 4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds. 5. EPF utilise the expertise of their Independent Administration and Governance Advisor (IGAA).</p>			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
				<p>paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions;</p> <p>- Increased centralisation of the LGPS and HMT taking all the assets / structural change;</p> <p>- GMP equalisation resulting in potentially additional costs and/or administration:</p> <p>- National Pensions Dashboard resulting in major changes to data provision;</p>					

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
				<ul style="list-style-type: none"> <li>- Separation of the Fund from the Administering Authority;</li> <li>- Government intervention in Fund asset allocation decisions.</li> </ul>					
None	G15	Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.	None	Fraud against the Fund or insufficient checks and controls results in benefits being paid to the incorrect person or paid when they are not due to an existing beneficiary, and/or loss of assets and/or reputational impact on EPF	None	1. The Fund participates in the National Fraud Initiative (NFI) in line with Audit requirements using the Tell Us Once system, with Pensions paid via BACs as standard/extr a verification undertaken for overseas and non-BACs cases. 2. Internal and External Audit	None	4	New – incorporated previous A4

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						regularly test that controls are in place and working. 3. Age and status verification checks are conducted prior to all benefits being released. 4. 4. Authorised signature list- plus ECC's version. 5. EPF undertake GDPR data protection training with all staff and adhere to relevant ECC data protection policies. 6. Segregation of duties i.e. two signatures are required for any			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						payments directly out of the Fund (Fund Managers). Other payments are verified by one person raising, one person checking and one person authorising. 7. Custodian asset pool - proper process for transfer of assets through LINK.			

**Investments**

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
I1	I1	To maximise the returns from investments within reasonable risk parameters	If investment return is below that assumed by the Actuary in the Funding Strategy this could lead to an increased deficit and additional contribution requirements. The larger the level of mismatch between assets and liabilities the bigger this risk.	The total Fund Investment return does not meet expectations which could lead to underfunding.	Diversified portfolio; Annual Strategy Review; Asset Liability Study, extended recovery periods to smooth contribution increases.	1. EPF Investment Strategy is reviewed and monitored on a regular basis. 2. Monitoring of: investment manager performance ; market conditions. Performance of both assets and liabilities is monitored periodically.	9	9	
I2	None	To maximise the returns from investments within reasonable risk parameters	Inefficiencies within the portfolio can result in unintended risks	None	Diversified portfolio; Annual Strategy Review; Quantification of individual components of financial risks, Hedging of some risks,	None	2	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					Obtain expert advice				
I3	None	To maximise the returns from investments within reasonable risk parameters	If investment returns are below peer group funds, or risk levels are excessive relative to peer group, this could lead to reputational damage for the Fund or member/admitted body dissatisfaction.	None	Regular monitoring; Annual Strategy Review; Targeting most efficient portfolio	None	4	None	Deleted
I4	None	To maximise the returns from investments within reasonable risk parameters	Risk of missing opportunities to maximise returns	None	Regular monitoring; more than one investment adviser; dialogue with existing managers to encourage new ideas; peer group dialogue	None	4	None	Deleted
I5	None	To maximise the returns from investments within reasonable risk parameters	If investment strategy is inconsistent with Funding Plan, then it can lead	None	Triennial Reviews linked with Funding Strategy &	None	2	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			to employers paying the incorrect contribution rate		Investment Strategy. Asset Liability Study; SIP; Interim Reviews; co-ordination between actuary and investment consultant. A specific scorecard measure on this matter is in place.				
16	12	To maximise the returns from investments within reasonable risk parameters	Fund managers underperform their benchmarks	Investment Managers and/or ACCESS Operator underperform or do not have appropriate benchmarks leading to lower investment returns	Manager selection process and due diligence; manager monitoring across wide range of issues; diversified portfolio of managers; setting of appropriate benchmarks	1. The performance of Investment Managers and/or ACCESS Operator is subject to regular review.	2	6	
17	13	To ensure the Fund's investments are properly managed before,	Inappropriate or uninformed decisions e.g. due to lack of	Failure by EPF or the ACCESS Operator to take advice in accordance	Training and experience of ISC members; monitoring of	1. The Fund procures and has Institutional Investment	2	3	



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		during and after pooling is implemented	understanding / training	with statutory requirements and best practice over appointing and the terms of appointment of investment managers	knowledge and understanding; an institutional investment adviser and an independent adviser have been appointed; training and experience of in-house team; papers prepared in advance of decisions being made; Annual Strategy Review sets plan for year	Consultant and Independent Investment Advisor. 2. EPF ensure these arrangements are kept under review. 3. ACCESS Escalation Policy in place. 4. Appointed Contract Manager within the ASU.			
I8	None	To ensure the Fund is properly managed	Insufficient management information about the position of the Fund e.g. level of risk; amount of assets; performance of managers	None	Regular quarterly reporting on assets, performance and managers; Annual Strategy Review	None	1	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
I9	None	To ensure the Fund is properly managed	Failure to take expert advice or risk of poor advice	None	Appointment of institutional investment consultant and an independent investment adviser, who regularly attend meetings	None	1	None	Deleted
I10	I4	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Delays in implementation of decisions reduces the effectiveness of the decision	Delays in: - implementation of decisions; - availability of suitable solutions within the Pool;  which reduces the effectiveness of the decision which could lead to loss of potential return	In house team; use of passive manager to implement change; delegation of implementation to officers and advisers	1. EPF works proactively with Investment Advisors, ACCESS Pool and Investment Managers to scope, propose and implement viable revisions to the Investment Strategy.	2	6	
I11	None	To ensure the Fund's investments are properly managed before, during and after	If liquidity is not managed correctly, assets may need to be sold at unattractive times or	None	Limit on illiquid assets and level of diversification from equities and bonds; projection of	None	1	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		pooling is implemented	investment opportunities missed as cash is unavailable.		expected cash flows. A specific scorecard measure is in place on this matter.				
I12	None	To ensure the Fund is properly managed	Insufficient scrutiny of manager mandates and terms of business may lead to inappropriate fee levels or other costs.	None	Quarterly monitoring; review of fees versus peer group; selection criteria include fees and other costs	None	2	None	Deleted – merged with I13
I13	I5	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	Failure of manager or custodian	Failure of 3rd party service providers to maintain obligations in respect of investments leading to potential loss of return or liquidity, or ability to access or control investment.	Quarterly monitoring; AAF0106 audit reports; investment consultant on-going research; diversification of manager mandates; diversification of custody via pooled funds	1. AAF0106 Annual Control Reviews are carried out. 2. Within the Pool environment the Depository has liability for safekeeping of Pool investments. 3. ASU Contract Manager ensures	2	6	Amended to incorporate I12 and I14

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						<p>adherence to the Operator Agreement by the 11 ACCESS Funds and LINK.</p> <p>4. Formal procurement procedures are being used for all 3rd party suppliers.</p> <p>5. EPF ensure these arrangements are kept under review.</p> <p>6. Fund's assets are not included on Custodian's Balance Sheet. Separate Designated Accounted for each mandate.</p>			
I14	None	To ensure the Fund is properly managed	Failure to react to major change in market /	None	Quarterly monitoring, setting appropriate	None	2	None	Deleted – merged with I13

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			economic conditions		mandates for managers, appointment of investment consultant and independent advisers, review of market conditions at each meeting, regular engagement with investment managers				
I15	I6	Ensure investment issues are communicated appropriately to the Fund's stakeholders	Inappropriate communication of risks involved in the pension fund and strategy adopted and actions taken by the ISC may lead to questions and challenge and unexpected increases in contributions	Failure to communicate and consult on Investment Matters with stakeholders resulting in lack of understanding and potentially poor decisions being made	Resourcing of in-house team; discussion forums and surgeries; statement of investment principles; funding strategy statement	1. Investment Strategy Statement is subject to stakeholder consultation. 2. PSB/ISC Members are appropriately trained prior to key decisions being made. 3. Engagement with	2	2	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						Employers at triennial valuation.			
I16	I7	To ensure the Fund's investments are properly managed before, during and after pooling is implemented	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.	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.	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.	1. The Fund has arrangements to ensure that relevant MiFiD II "opt ups" to Elective Professional status for all asset mandates is kept under review.	6	4	
None	I8	To maximise the returns from investments within reasonable risk parameters	None	Lack of consideration of all financial and non-financial risks relating to ESG/Responsible Investment (RI) issues leading to poor investment	None	1. Use of expert consultants in the selection of Investment Strategy and Investment Managers.	None	3	New

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
				returns, increased employer contribution rates and reputational damage		2. Regular monitoring of Investment Managers. 3. Regular reviews of Investment Strategy. 4. Compliance with Stewardship Code.			

**Funding**

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
F1	F1	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	Investment markets perform below actuarial assumptions resulting in reduced assets, reduced solvency levels and increased employer contributions	Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement	Use of a diversified portfolio which is regularly monitored against targets and reallocated appropriately. At each triennial valuation assess funding position and progress made to full funding. Full annual interim reviews to enable consideration of the position. A specific scorecard measure is in place on this matter.	1. At each triennial valuation, assess funding position and progress made to full funding. 2. Full annual interim reviews to enable consideration of the position. 3. A specific Scorecard measure is in place on this matter. Current measure 4.3.2 - % of contributing employers submitting timely payments. 4. Work with Employers to ensure they	4	6	.



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						understand their responsibilities. 5. Year-end reconciliation of Member data.			
F2	None	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	Markets move at variance with actuarial assumptions resulting in increases in deficits, reduced solvency levels and increased employer contributions	None	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.	None	9	None	Deleted – moved to investment risks
F3	None	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	Investment managers fail to achieve performance targets (i.e. ensure funding target assumptions are consistent with funding objectives)	None	Diversified investment structure and frequent monitoring against targets with potential for a change of managers where	None	4	None	Deleted – merged with Investment risks

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			which reduces solvency levels and increases required in employers' contributions		considered appropriate.				
F4	F2	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	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	Monitoring of mortality experience factors being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis.	1. Longevity analysis is conducted by the Actuary at each valuation.	4	9	
F5	F3	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	Frequency of early retirements increases to levels in excess of the actuarial assumptions adopted resulting in increases required in employers' contributions	Demographic experience of Fund population is not in line with actuarial assumptions resulting in increases required in Employer contributions	Employers required to pay capital sums to fund costs for non-ill health cases. Regular monitoring of early retirement (including on the grounds	1. EPF ensures the Employer pay the rates set at each valuation. 2. The Actuary provides a prudent assessment to allow for ill-health	4	3	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					of ill health) experience being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis. Ensure that employers are made aware of consequences of their decisions and that they are financially responsible.	cases within the calculations. 3. Any change in demographics are reviewed at subsequent valuations and any underfunding will be addressed.			
F6	F4	To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional	1. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability	4	6	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			circumstances and covenant	circumstances and covenant	basis. On-going dialogue with employers.	on a proportional basis. 2. A risk analysis is conducted at each triennial valuation by the Funds Actuary. 3. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.			
F7	None	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	Mismatch in asset returns and liability movements result in increased employer contributions	None	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.	None	6	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
F8	F5	To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	At each triennial actuarial valuation an analysis is carried to ensure that the assumptions adopted are appropriate and monitor actual experience. Discussions with employers over expected progression of pay in the short and long term.	1. EPF carries out an analysis at each triennial actuarial valuation to ensure that the assumptions adopted are appropriate and monitor actual experience. 2. Discussions with employers over affordability are held. 3. Discretions Policy to control discretionary costs.	4	6	
F9	None	To recognise when drawing up its funding strategy the desirability of employer contribution rates	Potential for significant increases in contributions to levels which are unaffordable. Ultimate risk is the possibility of	None	Risk profile analysis performed with a view on the strength of individual employer's	None	4	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		that are as stable as possible	the employers defaulting on their contributions		covenant being formed when setting terms of admission agreement (including bonds) and in setting term of deficit recovery whilst attempting to keep employers' contributions as stable and affordable as possible. Pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.				
F10	None	To recognise when drawing up its funding strategy the desirability of employer contribution rates	Adverse changes to LGPS regulations resulting in increases required in	None	Ensuring that Fund concerns are considered by the Officers/Board as	None	3	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		that are as stable as possible	employers' contributions or Fund cash flow requirements.		appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.				
F11	None	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	Adverse changes to other legislation, tax rules, etc. resulting in increases required in employers' contributions	None	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested	None	3	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.				
F12	None	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning that the individual employer's contribution level becomes inappropriate requiring review and increase	None	Ensure that employers are reminded of their responsibilities, monitor and send reminders of employer's responsibilities re this where appropriate, investigate the adoption of an administration strategy to clarify employer responsibilities. Employer analysis work and officer dialogue with employers concerned	None	4	None	Deleted – merged with F13



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					(including guarantors as appropriate)				
F13	F6	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	Not recognising opportunities from changing market, economic or other circumstances (e.g. de-risking or strengthening of covenant)	<p>Failure to:</p> <ul style="list-style-type: none"> <li>- recognise a weakening (strengthening) in an employer's covenant;</li> <li>- lack of, or inaccurate, information about an employer;</li> </ul> <p>leads to an inappropriate funding approach in respect of that employer</p>	At each triennial valuation pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	<ol style="list-style-type: none"> <li>1. EPF monitors and send reminders of employer's responsibilities.</li> <li>2. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis.</li> <li>3. A risk analysis is conducted at each triennial valuation.</li> <li>4. Use of bonds and guarantees.</li> <li>5. Ongoing monitoring of contributions</li> </ol>	4	9	Amended to include previous F12 and F14.

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						to identify significant change and continuous dialogue with employers.			
F14	None	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	Adoption of either an inappropriately slow or rapid pace of funding in the specific circumstances for any particular employer	None	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	None	4	None	Deleted – merged with F13
F15	None	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	Failure to ensure appropriate transfer is paid to protect the solvency of the Fund and equivalent rights are acquired for transferring members in accordance with the regulations.	None	Follow the standardised approach to bulk transfers of liabilities as part of admission policy framework, complying with any statutory requirements and protecting the	None	2	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					interests of the Fund's employers by measuring the solvency of the Fund and relevant employers before and after transfer.				
F16	F7	To ensure consistency between the investment strategy and funding strategy	Over or under cautious determination of employer funding requirements due to the impact of the investment strategy on funding	Funding strategy is inconsistent with Investment Strategy leading to adverse funding outcomes (over/under funding)	Measurement will look at expected return projections vs actuarial assumptions in order to test the continued appropriateness and consistency between the funding and investment strategy.	1. The Asset Liability is undertaken on a triennial basis. 2. The Funding Strategy and Investment Strategy are reviewed and monitored on a regular basis. The Funding Strategy is aligned with the Investment Strategy.	4	6	
F17	F8	Maintain liquidity in order to meet projected net cash-flow outgoings	Illiquidity of certain markets and asset classes and difficulty in realising	The Fund has insufficient cash to pay pensions as they fall due.	Holding liquid assets and maintain positive cash flows. Reviews	1. EPF ensures sufficient investment income is available to	2	3	Amended to incorporate F18

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			investments and paying benefits as they fall due		performed to monitor cash flow requirements	<p>supplement contribution income to meet benefit payments.</p> <p>2. This is reported to the PSB.</p> <p>3. A specific Scorecard measure is in place on this matter. To link to scorecard measure no.</p> <p>4. Limit on illiquid assets and levels of diversification from equities and bonds.</p> <p>5. Projection of expected cash flows and daily monitoring of cash.</p>			
F18	None	Maintain liquidity in order to meet projected net cash-flow outgoings	Unanticipated onset of cash-flow negative position, potentially requiring ad hoc	None	Holding liquid assets and maintain positive cash flows. Reviews	None	2	None	Deleted – merged with F17

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			repositioning of assets		performed to monitor cash flow requirements. In Spring 2015 the ISC agreed to divert a portion of UK equity dividend income (L&G) & property rental income (AVIVA) to supplement contribution income in order to meet pension benefit expenditure.				
F19	F9	To minimise unrecoverable debt on termination of employer participation	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	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee leads to unrecoverable debt residual liability falls on remaining employers.	Assess the strength of individual employer's covenant and/or require a guarantee when setting terms of admission agreement (including bonds) and in	1. New employers joining the Fund are required to meet the Funds expectations , covenant, security and guarantee as set out in the Funding Strategy.	6	9	Amended to incorporate F20.

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			in all other employers' contributions		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	2. Existing employers are required to meet the Funding Strategy and Actuarial Valuation obligations. 3. Monitoring of bonds and ongoing monitoring of Employer covenant.			
F20	None	Minimise unrecoverable debt on termination of employer participation	Failure to monitor leading to inappropriate funding strategy and unrecovered debt on	None	Assess the strength of individual employer's covenant in conjunction with the	None	6	None	Deleted – merged with F19

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			cessation of participation in the fund		Actuary and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible				

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
F21	None	Maintain liquidity in order to meet projected net cash-flow outgoings	Maintain liquidity in order to meet projected net cash-flow outgoings	None	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.	None	6	None	Deleted
None	F10	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	None	The adoption of inappropriate assumptions causes the Fund to be listed in the GAD s13 report in a way that causes reputational damage.	None	1. In consultation with the Actuary, EPF determine an appropriate funding strategy that meets s13 requirements	None	6	New



**Administration**

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
A1	A1	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Failure to administer scheme in line with Regulations and policies (owing to IT system issues)	<p>Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none"> <li>- lack of regulatory clarity;</li> <li>- system issues;</li> <li>- insufficient resources.</li> </ul>	The Fund is currently implementing both "Member online" & "Employer online" modules of the UPM system. User Acceptance Testing is ongoing at staged intervals.	1. EPF ensure the System complies with the latest regulatory requirements through: <ul style="list-style-type: none"> <li>- Technical Hub help to translate regulations and ensure new systems meet regulatory requirements ;</li> <li>- Robust testing for system changes</li> <li>- Linking to knowledge and information from software supplier and other LGPS clients using the same</li> </ul>	6	6	Amended to incorporate A2 and A3

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						administration software. 2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources. 3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.			
A2	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Unable to deliver a service for Pensions Administrator and Pensioner Payroll because of system failure or unavailability	None	Business continuity and recovery plans in place including ability to access systems from home.	None	4	None	Merged with A1

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
A3	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Unable to deliver a service for Pensions Administrator and Pensioner Payroll because of staff unavailability (e.g. Sickness)	None	Multi skilled staff. Access from home. Considering cross fund working.	None	3	None	Merged with A1
A4	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Fraud by scheme members	None	NFI and payroll slips/communications at intervals through the year to home addresses, sight of certificates (e.g. Birth), very few cheque payments	None	1		Deleted – moved to new G15
A5	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Fraud by staff	None	Checking in place, citrix log in security, axise multiple log ins, month end reconciliation, locked records for pension staff, declaration of personal	None	1	None	Merged with G15

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					relationships/family members				
A6	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Fund's resources not able to match the demands of providing the service.	None	A consultation on a revised staffing structure commenced in late January.	None	9	None	Deleted
A7	A2	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Excessive costs of administration lead to lack of VFM and loss of reputation	Excessive costs of administration lead to lack of VFM and poor reputation	Benchmark costs against other Funds and regularly look for efficiency savings, measure performance annually, use of procurement, proper business planning with Board approval	1. EPF benchmarks its costs against other Funds and regularly look for efficiency savings for VFM. 2. Costs are monitored and reviewed on a regular basis. 3. Budget and Monitoring processes are in place.	1	3	
A8	A3	Ensure benefits are paid to the right people at	Failure to invest surplus contributions	Failure to maintain proper records leading	Monitoring of contributions payable,	1. Data cleansing exercises	1	3	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		the right time in the right amount		to inadequate data resulting in failure to pay the correct pensions to the right people at the right time	monitoring of pension fund cash balance, cash flow projections provided by Treasury Management team	take place at least annually or as and when required. Common and Scheme Specific data checks are carried out. 2. EPF ensure the System is tested regularly to ensure compliance with regulations. 3. Robust checking and validation of data takes place in calculations and receipt of information from employers. 4. EPF ensures staff are adequately trained by			

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						developing and implementing training plans along with encouraging staff to undertake professional qualifications . 5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.			
A9	A4	Ensure contribution income is collected from, the right people at the right time in the right amount	Failure to collect pension contributions in line with regulatory guidelines	Failure to collect pension contributions in line with regulatory guidelines leads to loss of income for EPF	All contributing Employers provided with deadlines for payments and clear guidelines for providing associated information, monitoring of contributions payable	1. All contributing Employers are provided with deadlines for payments and clear guidelines for providing associated information. 2. EPF monitor receipt of contributions to ensure	4	2	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						compliance. 3. EPF follow the Administration Strategy in relation to late payments.			
A10	None	Ensure benefits are paid to the right people at the right time in the right amount	Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors	None	Engagement with employers, employer manuals in place, electronic interface, year-end data cleansing, officer checking, info on ABS	None	1	None	Deleted
A11	A5	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Failure to deal with complaints appropriately	Failure to deal with concerns, complaints and IDRs appropriately results in poor customer satisfaction, further time spent resolving issues, potential compensation payments and reputation	Staff pass complaints to a specific senior officer and they are then referred to management team to decide appropriate response. Complaint levels are monitored	1. A process is in place to ensure complaints are dealt with promptly. 2. Complaint levels and reasons are monitored and process issues are identified and	1	2	Amended to incorporate A12

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
				impact, particularly us escalated to the Pensions Ombudsman	and low level of complaints and IDRP's demonstrates success of process.	corrected. 3. Complaint levels, IDRP's are reported through the Scorecard and are reported at each PSB.			
A12	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	Failure to deliver the LGPS properly results in significant numbers of complaints and/or IDRP's	None	Checking of calculations; ongoing engagement with employers and scheme members along with provision of guides etc; appropriate application of Fund discretions.	None	1	None	Merged with A11
A13	None	Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount	Incorrect calculation of members benefits through, for example, inadequate testing of systems	None	Attend and take part in areas for testing. Every calculation has independent checking and set procedures.	None	1	None	Deleted



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					Good staff training. Use of task management				
A14	A6	Data is protected to ensure security and authorised use only and is regulatory compliant	Potential of data to get into wrong hands or lost (in the post)	Failure to comply with GDPR and keep data secure, leading to reputational issues or legal/financial penalties	System back up to protect against data loss, data encryption and password protection, use of file transfer protocol, using mainly post for members.	1. EPF conduct a System back-up to protect against data loss. 2. EPF ensure data encryption and password protection. 3. Continuous staff training on data protection/GDPR. 4. All information security breaches are reported and any systematic issues identified and corrected. 5. EPF ensure use of file transfer protocol.	2	8	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
A15	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	ABS errors (e.g. wrong addresses, layout and printing errors) due to external supplier	None	Tender for supplier feedback from other users	None	1	None	Deleted
A16	None	Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount	Inconsistencies in delivery due to failure to properly document processes and procedures	None	Document processes and procedures	None	1	None	Deleted
A17	None	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	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 parallel case - the first in English Law - was brought by Ms Elmes	None	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	None	6	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
			against Essex CC in its capacity as administering authority for the Essex Pension Fund.		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.				
A18	A7	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	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	Unable to meet statutory requirements due to poor employer data	2017/18 exercise will commence with communications regarding a timetable, requirements and spreadsheet to employers along with encouragement to employers to engage with	1. Administration Strategy is in place which confirms responsibilities, details points of contact with reference to the website for further information, timescales etc. 2. Administration	8	8	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					Fund Officers.	n Strategy is reviewed on a regular basis in consultation with Employers where changes are made. 3. EPF communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes. 4. EPF conducts year-end data cleansing.			
None	A8	Clearly establish the levels of performance the Fund and its employers are expected to achieve in	None	Failure to administer the scheme correctly due to circumstances such as, but not limited to:	None	1. Administration Strategy is in place. 2. Administration Strategy is reviewed on a regular	None	3	New

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
		carrying out their functions		<ul style="list-style-type: none"> <li>- Poor employer data;</li> <li>- Unable to clearly articulate what is required from employers; and</li> <li>- Unable to clearly articulate what is required from the Fund itself in order to deliver the Fund's administrative functions</li> </ul>		basis in consultation with employers. 3. EPF communicates to Employers regularly on all aspects of provision including training sessions and guidance notes. 4. EPF ensure all staff adheres to the training requirements set for their posts through regular performance monitoring.			
None	A9	Develop successful partnership working between the Fund and its employers	None	Unable to develop and maintain good working relationships between the fund and our employers due	None	1. EPF maintain a Communication Plan which is reviewed and monitored on a regular	None	2	New

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
				<p>to, but not limited to:</p> <ul style="list-style-type: none"> <li>- Lack of resource at EPF and employers;</li> <li>- Lack of engagement due to other priorities;</li> <li>- Major growth in employer numbers</li> </ul> <p>leading to lack of time to build relationships etc.</p>		<p>basis. 2. Forums are held for Employers to keep them up-to-date with Fund information on an annual basis. 3. Workshops are carried out to ensure year-end requirements are communicated.</p>			

**Communications**

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
C1	None	Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	Increase in enquiries from Scheme Member resulting in increased workload for Fund officers	None	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.	None	6	None	Deleted
C2	C1	Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	Issuing incorrect or inaccurate communications	Issuing incorrect or inaccurate communication s leads to lack of understanding and/or complaints	Rigorous sign off from technical manager and employer liaison	1. EPF ensure they align their practices to the Communication Policy to enable accurate communications. 2. Dedicated resource for	1	3	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						communications. 3. Maintain and update EPF website. 4. Monitor feedback from stakeholders and ensure action taken to address complaints. 5. Staff training is provided to EPF staff to ensure they are kept up-to-date with best practice.			
C3	None	Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	Failure to maintain accurate employer data leading to information being lost or sent to wrong person	None	Develop and maintain master electronic list of employer contacts. Most changes should be identified through regular communications with	None	1	None	Deleted



Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					employers including reminders to let the fund know about any changes to contact details.				
C4	None	Deliver information in a way that suits all types of stakeholder	Risk some members may not receive relevant communications if address and/or contact details incorrect	None	Employers required to provide up to date home address data prior to ABS dispatch. Addresses used for other Fund processes are checked checker with member/employer before payment made, etc. All post office returns investigated/followed up and nothing goes out if new address not found. Tracing agencies used for	None	1	None	Deleted

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
					members age 65+.				
C5	C2	Deliver information in a way that suits all types of stakeholder	Discrimination cases if information not supplied in suitable format	Information delivered in a way that is not appropriate for members, e.g. too complex, not relevant or in an unsuitable format	Arrangement with Dept. in Essex for Braille, CD or other format. Also used other counties. Offer of alternative formats on all communications. Log kept of individuals with specific requirements.	1. EPF ensure communications are suitable for all stakeholders and are clear and concise via continual review. 2. An annual Survey is undertaken to obtain feedback from Employers and Members on the suitability of our communications. 3. Dedicated and specialist resource for communications. 4. Maintain and update EPF website.	1	2	

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
C6	None	Deliver information in a way that suits all types of stakeholder	Failure to include all required information in documents issued to members under disclosure regulations	None	Technical Manager keeps up to date with disclosure requirements and on-line courses are used to also keep up to date for all staff members	None	1	None	Deleted
None	C3	Ensure our communications are simple, relevant and have impact	None	Communications are not customised to specific needs and/or are overly complicated resulting in lack of understanding by all stakeholders	None	1. An Annual Survey is undertaken to obtain feedback from Employers and Members on the suitability of our communications. 2. Any required changes are reflected in the Communications Policy. 3. Checks are made regularly to ensure EPF	None	4	New

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						complies with the Disclosure Regulation requirements .			
None	C4	Aim for full appreciation of the pension scheme benefits and changes to the scheme by all scheme members, prospective scheme members and employers	None	Poor quality or lack of communications can lead to lack of understanding by all stakeholders	None	1. An Annual Survey is undertaken to obtain feedback from Employers and Members on the suitability of our communications. 2. Any required changes are reflected in the Communications Policy. 3. Forums are held for Employers to keep them up-to-date with Fund information as and when required. 4. Communications plan	None	4	New

Previous Risk No.	Revised Risk No.	Objective	Previous Risk Wording	Revised Risk Wording	Previous Mitigations	Revised Mitigations	Previous Risk Rating	Revised Rating	Comments
						developed annually and updated in line with further changes to the scheme. 5. Workshops are carried out to ensure year-end requirements are communicated.			



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 06</b>
<b>Date: 6 March 2019</b>	

## **Governance Compliance Statement & Essex Pension Fund Advisory Board (PAB) Review**

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

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Enquiries to Amanda Crawford on 03330 321763

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

- 1.1 To provide the Board with an update on the review of the Governance Compliance Statement including the Terms of Reference for the Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC) and Pension Advisory Board (PAB).
- 1.2 To provide the Board with an update on the review of the PAB.

### **2. Recommendation**

- 2.1 The Board should note:
  - the plan to review and agree the revised Terms of Reference for the PSB, ISC and PAB for inclusion within the Council's Constitution and the Fund's Governance Compliance Statement.
- 2.2 The Board should agree:
  - the approach for the PAB Review.

### 3. Governance Compliance Statement

- 3.1 Terms of References (TORs) for the three Boards/Committee need to be reviewed to include changes such as Pooling, and to provide clarity on responsibilities relating to the Fund's strategies. Initial thoughts are that there are a number of areas missing from the PAB's TOR which will be incorporated in the draft.
- 3.2 The proposed timeline to review and agree the revised TORs is:

Board/Committee	Meeting Date	To agree
PAB	June 2019	PAB TOR
ISC	June 2019	ISC TOR
PSB	July 2019	PAB, ISC & PSB TORs
Constitution Working Group	September 2019	PAB, ISC & PSB TORs
Full Council	October 2019	PAB, ISC & PSB TORs

These new TORs will be incorporated into the Governance Compliance Statement for the production of the Annual Report & Accounts.

### 4. PAB Review

- 4.1 During the December PSB meeting, the Board agreed to review the PAB Membership.
- 4.2 The Fund's Officers have reviewed the appointments of the PAB Members and have established that some Members have only recently joined and it would be reasonable to propose that they continue until the end of their term.
- 4.3 The proposed process for the Review is detailed below:

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



May – July 2019	Carry out appointment process and confirm appointments to PAB	Agreed panel
--------------------	---	--------------

- 4.4 The Board is asked to agree the timeframe and process for the PAB Review.

## **5. Risk Implications**

- 5.1 Without full membership of the PAB, the Fund are in breach of the Public Service Pensions Act 2013 and therefore are at risk of not fulfilling their duties as advisors to the Board.

- 5.2 A complete change in Board Membership would impact on the efficient and effective running of the Board.

## **6. Communication Implications**

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

## **7. Finance and Resource Implications**

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

## **8. Background Papers**

- 8.1 PAB Vacancy paper provided to the PSB at its meeting held on 19 December 2018, agenda item 11.
- 8.2 19 December 2018 PSB Minutes.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07</b>
<b>Date: 6 March 2019</b>	

## **New Fair Deal Consultation**

Report by the Technical Hub Manager

Enquiries to David Tucker on 033301 38493

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

- 1.1 To share with the Board's a consultation launched by the Ministry of Housing, Communities and Local Government (MHCLG) concerning the proposed introduction of the Government's New Fair Deal principles into the Local Government Pension Scheme (LGPS).

### **2. Recommendations**

- 2.1 It is recommended that:

- The Board note the consultation, and the Fund's draft response included at Appendices A and B and make any comments or observations as appropriate.
- The Board agree, subject to any required amendments, the draft response included at Appendix B to this report and note that officers are still in discussions with advisers which may mean further minor amendments are made before the Fund's final response is submitted.

### **3. Background**

- 3.1 The Government's Fair Deal policy provisions originate with the Cabinet Office's Statement of Practice (COSOP) in January 2000 which required outsourced public servants to be provided with a pension scheme that was broadly comparable to their public service pension scheme.
- 3.2 COSOP did not apply directly to local government although the Local Government Association (LGA) supported its principles and in March 2003 the Code of Practice on Workforce Matters in Local Authority Service Contracts was issued. It stated that Best Value authorities (Councils, Police & Fire authorities etc) would apply the COSOP principles and this was usually achieved in the LGPS by access to the LGPS via an admission agreement.
- 3.3 This was given statutory force in 2007 when the Best Value Authorities Staff Transfers (Pensions) Direction was issued by the Secretary of State, meaning that Best Value employers transferring staff to another employer because of a service contract must ensure pension protection of either continued LGPS access via an admission agreement or access to a 'broadly comparable' pension scheme.
- 3.4 New Fair Deal guidance was introduced in October 2013 by HM Treasury which removed the option of a 'broadly comparable' scheme; it is non-statutory guidance and applies to central government departments, agencies and the NHS and was also extended to cover Academies. But it does not apply to Best Value authorities which remain covered by the Direction and, therefore, the 'broadly comparable' route remains an option although it is rarely used.
- 3.5 In 2016, CLG undertook a consultation on bringing the provisions of New Fair Deal into the LGPS but it contained some widely criticised proposals such as the provisions applying to all LGPS employers including admission bodies and did not proceed.

### **4. New Fair Deal Consultation**

- 4.1 On 10 January 2019, MHCLG launched another consultation on the proposed introduction of the Government's New Fair Deal principles into the Local Government Pension Scheme (LGPS) – see Appendix A.
- 4.2 In summary, the proposals:
  - Introduce the concepts of 'Fair Deal employer' and 'Protected transferee';

- Fair Deal Employer includes all LGPS employers except admission bodies and FE/VI Form college/HE Corporations (which will have the option to require continued LGPS access, as they do now, but no obligation):
  - Fair Deal Employers must ensure transferring staff have ongoing access to the LGPS;
  - Introduces the 'Deemed Employer' route (similar to a LA voluntary school) as an option for the Fair Deal Employer - staff would remain employed by the Fair Deal Employer for LGPS purposes;
  - SAB guidance will be issued to help Fair Deal Employers put in place service contracts which give them flexibility and protect them from the potential risks;
  - An Academy can only use the Deemed Employer route if it has followed DfE guidance re provisions to include in the service contract;
  - The admission agreement route remains an option if the Fair Deal Employer does not want to be the Deemed Employer but the option of using a 'Broadly Comparable' scheme has been removed;
  - Fair Deal Employers should confirm the approach they intend to adopt (i.e. Deemed Employer or admission body) at the point they are inviting bids from potential service providers; and
  - The service contract must state whether continued access to the LGPS will be via the Deemed Employer route or via the admission body route.
- Protected transferee status for individuals compulsorily transferred by a Fair Deal employer under a contract, they will have a right to stay in the LGPS:
  - Will remain a Protected transferee for so long as they remain 'wholly or mainly' employed on delivery of the service of function transferred;
  - If an individual is transferred to an employer offering another public service pension scheme, they will not be eligible for LGPS;
    - But they will still be a Protected transferee, so they have protection if subsequently transferred to an employer which does not offer another public service pension scheme.
- When existing contracts are re-tendered:

- the staff will become Protected transferees and gain a right to membership of the LGPS; and
  - transfers from a broadly comparable scheme to the LGPS will be treated as a normal individual transfer-in.
- 4.3 The consultation also contains proposals that would automatically transfer LGPS assets and liabilities when employers in the scheme are involved in a merger or takeover.
- 4.4 The deadline for responses is 4 April 2019.

## **5. Response to consultation**

- 5.1 A draft fund response can be found at Appendix B and the Board are asked to make any comments or observations as appropriate.
- 5.2 The draft response has been shared with Fund employers for their information when considering their own responses to the consultation.
- 5.3 Officers are still in discussions with advisers and may make further amendments, subject to agreement by the Chair, before submitting the Fund's final response by the 4 April 2019 deadline.



Ministry of Housing,  
Communities &  
Local Government

# Local Government Pension Scheme: Fair Deal – Strengthening pension protection

Policy consultation



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Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

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# Scope of the consultation

Topic of this consultation:	<p>This consultation seeks views on proposals to amend the rules of the Local Government Pension Scheme in England and Wales, as set out in the draft Local Government Pension Scheme (Amendment) Regulations 2019 (Annex A). It covers the following areas:</p> <ol style="list-style-type: none"> <li>1. Amendments that would require service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer (and remove the option of a broadly comparable scheme).</li> <li>2. Proposals that would automatically transfer LGPS assets and liabilities when employers in the scheme are involved in a merger or takeover.</li> </ol>
Scope of this consultation:	MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).
Geographical scope:	These proposals relate to the Local Government Pension Scheme in England and Wales only.
Impact Assessment:	<p>Our Fair Deal proposals will strengthen the pensions protections that apply following an outsourcing and it is intended that all transferred staff of relevant LGPS employers will benefit equally from the new provisions. We do not believe our proposals will have an adverse impact on any section of the LGPS employer workforce, and believe they will have equal positive impacts on groups with and without particular protected characteristics. This is including in relation to staff who work flexibly, part-time or who have taken career breaks. This is because our reforms are intended to equalise pensions rights between those who have and have not been outsourced from their LGPS employer, with them all having continued access to membership of the LGPS.</p> <p>None of the changes contained in this consultation require a Regulatory Impact Assessment under the Small Business, Enterprise and Employment Act 2015. Our Fair Deal proposals will require bodies who provide services to LGPS employers to provide employees with continued access to the LGPS following a transfer. For a small number of transfers, there may be some additional costs associated with outsourcing staff under the new provisions. This may be the case where an LGPS employer is not currently subject to the 2007 or 2012 Directions (see paragraph 8), but it is proposed they would be subject to our new regulations. Nevertheless, we expect this to apply in a minority of situations and only to outsourcings from public bodies or publicly owned companies.</p>

	<p>Additionally our proposals to introduce a new way for contractors to participate in the LGPS (the 'deemed employer' approach) are intended to give greater flexibility to outsourcing employers which will potentially help them obtain better value from their contracts. For contractors, the proposals are intended to give them greater certainty on the pensions costs they will face over the life of the contract.</p> <p>The proposals in chapter 3 that provide for the automatic transfer of assets and liabilities where an employer is subject of a merger or takeover are intended to protect LGPS funds from the unintended consequences of organisational changes. They are also intended to give greater certainty to all parties about the responsibility for pensions liabilities after such events.</p>
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## Basic Information

To:	<p>This consultation is particularly aimed at those with an interest in the obligations that apply when a service or function is outsourced from an LGPS employer, including employees, outsourcing employers, and service providers.</p> <p>Any change to the LGPS is likely to be of interest to other stakeholders as well, such as local pension administrators, those who advise them, other LGPS employers and local taxpayers.</p>
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 12 weeks from Thursday 10 January 2019 to Thursday 4 April 2019.
Enquiries:	For any enquiries about the consultation please contact <a href="mailto:LGPsensions@communities.gov.uk">LGPsensions@communities.gov.uk</a> .
How to respond:	<p>Please respond by email to:</p> <p><a href="mailto:LGPsensions@communities.gov.uk">LGPsensions@communities.gov.uk</a></p> <p>Alternatively, please send postal responses to:</p> <p>LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF</p> <p>When you reply it would be very useful if you could make it clear which questions you are responding to. Additionally,</p>

	<p>please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p> <ul style="list-style-type: none"><li>- your name,</li><li>- your position (if applicable),</li><li>- the name of organisation (if applicable),</li><li>- an address (including post-code),</li><li>- an email address, and</li><li>- a contact telephone number.</li></ul>
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# Chapter 1 – Introduction

1. The Ministry of Housing, Communities and Local Government (MHCLG) consulted in May 2016<sup>1</sup> on the introduction of greater pensions protection for employees of LGPS employers who are compulsorily transferred to service providers. The 2016 consultation proposed that, in line with the Government's Fair Deal guidance of October 2013<sup>2</sup>, most LGPS members in this position should have continued access to the LGPS in their employment with the service provider. In doing so, it was proposed that the option to provide transferring staff with access to a broadly comparable scheme should be removed.
2. On 19 April 2018, the Government response to the consultation confirmed our commitment to introduce the strengthened Fair Deal in the LGPS but noted that respondents to the 2016 consultation had raised a number of concerns regarding the specific approach we proposed to adopt. We said we would give full consideration to the points raised and committed to consult on new proposals by the end of the year.
3. Chapter 2 of this document sets out our new policy proposals for introducing Fair Deal in the LGPS, which will enable LGPS employers to obtain better value from outsourced service contracts, and ensure that transferred employees retain the security which comes with membership of the LGPS, a statutory scheme with benefits set out in law. We welcome comments from respondents on our questions.
4. We are also taking this opportunity to consult on another change to the rules of the LGPS (as set out in more detail in Chapter 3). This change would provide for the automatic transfer of LGPS assets and liabilities to a successor body when an exiting LGPS employer is taken over or is part of a merger.
5. Your comments are invited on the questions contained in chapters 2 and 3 and the set of draft regulations at Annex A.
6. **The closing date for responses on the draft regulations at Annex A, and the related questions in Chapters 2 and 3, is Thursday 4 April 2019.**

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<sup>1</sup> <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

<sup>2</sup> <https://www.gov.uk/government/publications/fair-deal-guidance>

## Chapter 2 – Fair Deal

7. The Government's 'Fair Deal' policy was introduced in 1999 and sets out how pensions issues should be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. Under the original Fair Deal guidance, transferred staff had to be given access to a scheme certified as being 'broadly comparable' to their previous public service pension scheme.
8. Following the publication of the Government's original Fair Deal guidance, pensions protection for local government employees in England and Wales was provided through:
  - the Best Value Staff Transfers (Pensions Direction) 2007 ('the 2007 Direction' - covering employees of English best value authorities and Welsh Police authorities), and
  - the Welsh Authorities Staff Transfers (Pensions) Direction 2012 ('the 2012 Welsh Direction' - covering employees of Welsh improvement authorities and community councils).
9. Under these Directions, protected employees who are contracted out to a new employer following the transfer of a service or function must be given either continued access to the LGPS by their new employer, or access to a scheme certified by an actuary as 'broadly comparable' to the LGPS.
10. The Government announced in July 2012 that the Fair Deal policy would be reformed. Under the 'new' Fair Deal policy, staff transferring from the public sector would have continued access to their public service pension scheme rather than being offered a broadly comparable private pension scheme, as was previously the case.
11. HM Treasury published its revised Fair Deal guidance in October 2013<sup>3</sup>. It covers central government departments and their agencies, the NHS, schools that are not local authority maintained (such as academies), and any other parts of the public sector under the control of Ministers where staff are eligible to be members of a public service pension scheme.
12. As set out in the Introduction, the Government now intends to introduce the strengthened Fair Deal in the LGPS. The proposed reforms will mean that independent providers will no longer have the option of providing transferred staff with access to a broadly comparable scheme. Instead, employees will always have continued access to the LGPS. This strengthens existing protections significantly. Protected employees will have increased confidence and security in knowing that, despite their transfer, they will retain a right to all the benefits that come with membership of the LGPS, not least that it is a statutory scheme with benefits set out in law. Moreover, so long as the protected employees remain wholly or mainly employed on the delivery of the service or function

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<sup>3</sup> <https://www.gov.uk/government/publications/fair-deal-guidance>

transferred, they will continue to have that protection even if the service is subsequently sub-contracted or transferred out again.

13. Responses to the 2016 consultation were mixed. Whilst many respondents were supportive of our aims in providing transferred staff with continued access to the LGPS, there were a variety of concerns on the detail of the proposals. More detail on the issues raised are contained in the Government's April 2018 response, but they can be summarised as concerns:

- regarding the employers to which our Fair Deal regulations would apply.
- that those already transferred out under the 2007 Direction would not have continued protection.
- that the proposals did not refer to the protections that apply in Wales (i.e. the 2012 Welsh Direction).
- that the regulations were a missed opportunity to consider introducing more explicit risk sharing provisions.
- that continued use of the admitted body framework could lead to a growing administrative burden for LGPS administrators.
- the lack of guidance.

14. In the following sections, we set out the detail of new proposals which are intended to address each of those concerns in turn and provide the framework for a workable, efficient system of pension protection.

## The basics of Fair Deal in the LGPS

### Protected transferees

15. The draft regulations apply in both England and Wales. They provide for the introduction of a new regulation 3B in the LGPS Regulations 2013<sup>4</sup>. Under this, an LGPS employer must ensure that protected transferees are given access to membership of the LGPS for so long as they remain a protected transferee and have an entitlement to membership of the scheme. A protected transferee is an individual who:

- a. is an active member or is eligible to be an active member of the LGPS,
- b. was employed by a Fair Deal employer (as defined) immediately before that person's employment was compulsorily transferred under a contract to a service provider in relation to the delivery of a service or a function of the Fair Deal employer.

16. A protected transferee will remain a protected transferee for so long as they remain wholly or mainly employed on the delivery of the service or function transferred, even if the service is subsequently sub-contracted or otherwise transferred to a different service provider.

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<sup>4</sup> S.I. 2013/2356 (as amended)

17. Where an employee is transferred out to an employer which offers membership of another public service pension scheme, the draft regulations provide that they would not be eligible for the LGPS but that they would remain a protected transferee. This ensures that if, following a re-tender, they are subsequently transferred to a new provider which does not offer a public service pension scheme, they do not lose their protection.
18. Service providers and Fair Deal employers may wish to consider offering the same status and protection to all staff who are providing a service as part of contract negotiations, whether or not they were previously employed by the Fair Deal employer. The draft regulations therefore also provide that an employee who is working wholly or mainly on the delivery of the service or function transferred may be treated as a protected transferee even if they were not formerly in the employment of the Fair Deal employer. However, protection for additional staff who are not covered by Fair Deal will remain subject to contract terms. The draft regulations therefore provide that protected transferee status for staff will require the agreement of both the Fair Deal employer and the service provider and it is proposed either party can determine at any time that such an individual is no longer a protected transferee.

#### **Question 1 – Do you agree with this definition?**

##### **Fair Deal employers**

19. The draft regulations define a new type of scheme employer, a 'Fair Deal employer'. As defined, Fair Deal employers are those LGPS employers whose employees will have protected access to the LGPS following a compulsory transfer of the type outlined above.
20. Some respondents to the 2016 consultation queried our approach on the employers covered by Fair Deal. One concern raised was regarding consistency. It was suggested that it was inconsistent for further and higher education institutions who participate in the LGPS to be excluded on the grounds that they are non-public sector bodies<sup>5</sup>, whilst admission bodies, the majority of whom are also non-public sector bodies, would be covered by the requirements. Aside from those admission bodies who participate in the LGPS in relation to the transfer of a service or function ('transferee' admission bodies), admission bodies are bodies who normally participate in the LGPS because of close links with a local authority or because they provide a public service ('community' admission bodies). They include charities, housing associations and other non-public sector bodies, and are not required to participate in the LGPS.
21. In light of the concerns raised, it is proposed that admission bodies which undertake an outsourcing will have the option of requiring service providers to offer continued access to the LGPS as they do now, but will not be obliged to do so. Whilst we are committed to ensuring that public sector workers who are eligible for the LGPS are protected after being outsourced, we do not wish to limit the freedom that non-public sector

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<sup>5</sup> In the terms set out by the Office for National Statistics, <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/publicsectorclassificationguide>



organisations can reasonably expect in the total package they offer to their staff, including pay and pension.

22. Other respondents felt that the employees of police and crime commissioners (PCCs) worked in the public sector and should be protected under our Fair Deal regulations. In the 2016 consultation, we said that PCCs should not be required to follow Fair Deal because they are not best value authorities. However, in order to be consistent with the approach we are taking for local government and noting the concerns made by respondents to our previous consultation, it is now proposed that employees of PCCs are in the scope of the new regulations, in the same way as is proposed for employees of chief constables.
23. In light of the points noted above, under our draft regulations all LGPS scheme employers will be Fair Deal employers with the exception of:
- further education corporations, sixth form college corporations and higher education corporations (i.e. post-1992 universities), and
  - admission bodies.

As they do now, contractors providing services to the organisations listed above will be able to provide access to the LGPS to transferred staff via entering into an admission agreement with the pension fund (subject to meeting requirements and with the agreement of the contracting employer), but there would be no obligation for them to do so under scheme regulations.

## **Question 2 – Do you agree with this definition of a Fair Deal employer?**

### **Transitional arrangements**

24. It is important to the Government that those who have previously worked in local government and who are protected under either the 2007 Direction or 2012 Welsh Direction do not lose out from the changes we are making. Our draft regulations therefore provide that when contracts that fall under the 2007 Direction or 2012 Welsh Direction are next re-tendered, protected staff will become protected transferees under the LGPS Regulations 2013 and gain a right to membership of the LGPS.
25. This level of protection goes beyond the current requirements of the 2007 and 2012 Directions, which provide that service providers have the option of providing staff with access to a broadly comparable scheme instead. It is our intention to take the necessary steps to ensure that staff who were transferred out under the 2007 Direction or under the 2012 Welsh Direction gain the improved protections the next time a contract is re-tendered. We will work with the Welsh Government on transitional arrangements to deliver this in relation to transfers that have taken place under the 2012 Direction.
26. Transferred employees who were entitled to pension protection under the 2007 Direction or the 2012 Direction and were given access to a scheme certified as broadly comparable to the LGPS will have a right to transfer their benefits from that scheme to the LGPS if the fund receives a request. Under our draft regulations, such transfers would be treated as individual transfers under existing provisions contained in

regulations 100 and 101 of the LGPS Regulations 2013. We propose that the value of transfers be calculated using Cash Equivalent Transfer Value (CETV) factors contained in actuarial guidance issued by the Secretary of State. CETV factors are issued to convert the transfer value received by an LGPS fund to an amount of career average pension on an actuarially neutral basis. This approach is intended to ensure that inward transfers are calculated using an established process that is fair to scheme members, scheme employers and local taxpayers.

**Question 3 – Do you agree with these transitional measures?**

**Question 4 – Do you agree with our proposals regarding the calculation of inward transfer values?**

## Risk sharing

27. A significant issue highlighted by respondents to the 2016 consultation was in relation to risk sharing, sometimes known as ‘pass-through’. Pass-through is a mechanism for limiting a service provider’s exposure to pensions risk as a scheme employer. As the LGPS is a funded, defined benefit pension scheme there are a number of risks which scheme employers are exposed to, in particular:

- Contributions risk – employer contribution rates are assessed every three years via a funding valuation. If the valuation shows that the financial or demographic position of the employer, or both, has changed since the previous valuation, contribution rates can go up or down.
- Funding risk – when an employer’s last active member leaves the LGPS, any deficit that has built up in relation to the employer’s liabilities has to be paid to the LGPS fund by the scheme employer. For service providers, these deficits can be quite large, even by reference to the total value of the contract.

Under pass-through, a service provider may pay a fixed contribution rate for the life of the contract, or pay the contributions within a certain range. The outsourcing employer may retain the responsibility for any shortfall in contributions, as well as the benefit of any surplus.

28. There are a number of benefits to using a pass-through approach:

- For the service provider, they do not necessarily bear the risks listed above. This makes their cost/benefit analysis when considering bidding for a contract more straightforward. We are aware that for small and medium service providers in particular, pensions risk is a significant barrier, and can mean they do not bid for contracts they otherwise would, because they cannot bear the risk of significant contribution rate increases or of the risk of a large exit payment being required at the end of the contract.
- For the Fair Deal employer they do not have to pay the ‘risk premium’ which service providers sometimes build into their contract prices. Because of contributions risk and funding risk, we understand that service providers often build a buffer into their prices to ensure that it is still profitable for them to operate a contract even if, for example, LGPS contributions end up being much higher than originally stated.

Using pass-through removes the need for such a buffer (and should therefore mean Fair Deal employers get better value for money).

### **The 'deemed employer' approach**

29. We are aware that some LGPS employers already use pass-through arrangements with their service providers where greater flexibility assists outsourcing. However, in light of the views expressed in the responses to the 2016 consultation we want to ensure that Fair Deal employers actively consider the potential benefits of including risk sharing provisions in their service contracts. To achieve this, we are proposing that service providers do not necessarily need to become admission bodies in the LGPS to participate in the scheme. Instead, 'deemed employer' status could be used instead.
30. Deemed employer status is available under the LGPS Regulations 2013 already (see the table in part 4 of schedule 2). It means that, for specific groups of employees, their 'scheme employer' in the LGPS is not their employer in employment law, but is the 'deemed employer' instead. For example, under the LGPS Regulations 2013, the 'deemed employer' for the employees of voluntary schools is the associated local authority.
31. Under our proposals, when an employee is compulsorily transferred from their Fair Deal employer to a service provider, their former employer will have the option of remaining the deemed employer for the transferred staff.
32. Using this approach, the service provider would not have full scheme employer responsibilities under the LGPS Regulations 2013. Instead, the default position would be that the Fair Deal employer would retain the majority of scheme employer responsibilities (including contributions and funding risk). However, we envisage that this would only be a starting point, and the service contract between the parties would cover the detail of the pensions relationship, including the sharing of risk.
33. With appropriate provisions in the service contract, deemed employer status will give Fair Deal employers like local authorities greater flexibility when transferring services and functions to external providers. This will enable them to achieve the benefits of pass-through while enabling flexibility for negotiations around price and risk sharing between the two parties.
34. In addition, a major benefit of this approach is that it will provide a more seamless transition for LGPS members. A frequent issue under the current system is that a contract commences before the admission agreement is signed, leaving members in limbo for long periods of time. Under the deemed employer approach, members would continue in the section of their Fair Deal employer and there would be no uncertainty regarding their pension rights. Administering authorities would also benefit from not having to backdate admission agreements or seek to enforce these retrospectively.
35. The deemed employer approach will also help to tackle a growing issue in the LGPS; the large and rising number of scheme employers (over 16,000 across the scheme in England and Wales), which causes administrative issues at a local level. Making use of deemed employer status would slow the rate of increase and could therefore have administrative benefits for LGPS pension funds.

36. Using deemed employer status may also give greater flexibility to contractors in how they account for their pensions obligations. Currently, contractors who participate in the LGPS via an admission agreement but who have entered into pass-through arrangements may have to account for their liabilities on a defined benefit basis (even though their obligations are more akin to defined contribution liabilities). The deemed employer approach may enable a different accounting treatment because the legal responsibility would remain with the Fair Deal employer.
37. Using deemed employer status in this way has potential risks for Fair Deal employers because it means they are, by default, responsible for the pension liabilities which would, under an admission agreement, automatically be the responsibility of the service provider. However, the Fair Deal employer would be able to protect itself from these risks by including detailed provisions on the pensions relationship between the Fair Deal employer and the service provider in the service contract.
38. The draft regulations state that advice will be issued by the LGPS Scheme Advisory Board (SAB) to help Fair Deal employers put in place service contracts which give them flexibility and protect them from potential risks. We will want to ensure that this advice gives Fair Deal employers the knowledge and confidence they need to outsource services in a way that provides them with value and gives increased certainty to service providers. We will work closely with the SAB on the development of this advice, and expect that it will be issued before or at the same time the Fair Deal regulations are issued.
39. The draft regulations also provide that the deemed employer approach can only be used by the proprietor of an academy where that proprietor has followed guidance on the use of the deemed employer approach given by the Department for Education. Guidance issued by the Department for Education will set out the provisions that must be included in the service contract between a proprietor of an academy and a service provider to protect the proprietor, and ultimately the Department for Education, from pensions risks which should in all cases be met by the service provider.

**Question 5 – Do you agree with our proposals on deemed employer status?**

**Question 6 – What should advice from the scheme advisory board contain to ensure that deemed employer status works effectively?**

**Responsibilities for employers**

40. In practice, even where the deemed employer approach is used, the service provider will retain an administrative role in relation to the pensions of their employees. As the legal employer, they will be responsible for deducting employee contributions and providing information to the pension fund (for example, for end of year processing). To ensure that the actions of the service provider do not prevent the Fair Deal employer from meeting their responsibilities, the draft regulations state that the service provider must provide sufficient and timely information to enable the Fair Deal employer to meet its scheme functions. We anticipate that this point will be addressed in more detail in advice issued by the Scheme Advisory Board.

41. We are also keen to ensure that, unless service contracts explicitly provide otherwise, responsibility for certain decisions that may give rise to costs arising is retained by the service provider, as well as the responsibility for meeting those costs. In particular, the draft regulations provide that the service provider shall retain the decision-making responsibility for decisions where costs may be payable under regulation 68 of the LGPS Regulations 2013. This covers a variety of costs, including ill-health, redundancy, flexible retirement and the award of additional pension.

### **Question 7 – Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?**

#### **Existing arrangements**

42. Whilst we believe there are significant advantages of making use of deemed employer status, we propose that the admission body option is retained so that Fair Deal employers can choose to require their service providers to become full scheme employers in the LGPS if they wish. This approach may be more appropriate for larger, longer term contracts where it is more fitting for a service provider to have full employer responsibilities under the LGPS regulations.
43. To make clear that risk sharing practices can also be used where the admission body option is used, our draft regulations insert a paragraph into part 3 of schedule 2 of the LGPS Regulations 2013 confirming that admission agreements may also contain details of risk sharing arrangements agreed between the Fair Deal employer and the service provider. We anticipate that advice issued by the SAB will contain detail on the provisions that may be put into an admission agreement on risk sharing between the parties involved.

### **Question 8 – Is this the right approach?**

#### **Timely consideration of pensions issues**

44. An issue that is frequently raised with regard to outsourcing by LGPS employers is the lack of priority given to pensions issues. Often admission agreements are not signed before the contract takes effect leading to periods of limbo for members. This can be a barrier to the parties to a contract sharing risk effectively. Indeed, lack of consideration of pensions issues at the contract negotiation stage could be damaging to those Fair Deal employers using the deemed employer approach. In our April 2018 response to the 2016 consultation, we said we would consider the issues around this further.
45. The draft regulations we are consulting on require that the service contract between a Fair Deal employer and the service provider state whether continued access to the LGPS will be provided via the deemed employer route or via the admission body route. We intend that this requirement will ensure consideration is given to pensions issues at an early stage, and the substantive differences between the two options are fully appreciated.
46. We also expect timely consideration of pensions issues to be covered in the SAB advice, with the benefits of doing so. For example, to ensure that the best value can be obtained from outsourcing exercises, Fair Deal employers should confirm the approach

they intend to adopt at the point they are inviting bids from potential service providers. We welcome views from consultees on other ways in which we can encourage early consideration of pensions issues.

**Question 9 – What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or functions are outsourced?**

**Public sector equality duty**

47. Our Fair Deal proposals will strengthen the pensions protections that apply following an outsourcing and it is intended that all transferred staff of relevant LGPS employers will benefit equally from the new provisions. We do not believe our proposals will have an adverse impact on any section of the LGPS employer workforce, and believe they will have equal positive impacts on groups with and without particular protected characteristics.

**Question 10 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?**

# Chapter 3 – Transferring pension assets and liabilities

48. In recent years, the frequency with which LGPS scheme employers have been involved in mergers or takeovers has increased. This increase is partly a consequence of reforms within the public sector (including local authority schools becoming academies, whose proprietors have employer responsibilities in their own right), and of new organisational structures being used by LGPS employers for the delivery of services and functions.
49. When the last active member of an LGPS scheme employer leaves the scheme, the regulations provide that an exit payment usually needs to be paid to the LGPS fund. This means the exiting employer becomes liable for the payment of an amount which is intended to cover the costs of their entire pensions liability, and which is calculated on a low-risk basis. Because of this, the exit payment is often high, particularly in relation to the size of the ceasing employer.
50. Where an LGPS scheme employer merges into, or is taken over by, another organisation this exit payment can sometimes be triggered unintentionally and potentially leave the ceding organisation with a liability they cannot meet. If they cannot do so, the liability will be met by the other employers in the fund (and ultimately the local taxpayer).
51. To address these concerns we propose to amend the regulations to provide that when an LGPS scheme employer is merged into or taken over by another organisation, the responsibility for that pensions liability automatically transfers to the successor body, unless specific legislative provisions require otherwise. This is intended to ensure that normal business activities, such as mergers and takeovers, can take place effectively and efficiently without unintended consequences occurring in respect of an employer's LGPS liabilities.
52. In addition, we propose that where the successor body is also an LGPS employer with active members in another fund, the assets and liabilities must be automatically transferred to that fund and combined with the successor body's assets and liabilities.
53. We propose that the Secretary of State should issue guidance on this area and that, in particular, guidance should cover the terms of transfers of assets and liabilities between pension funds.

**Question 11 – Is this the right approach?**

**Question 12 – Do the draft regulations effectively achieve our aims?**

**Question 13 – What should guidance issued by the Secretary of State state regarding the terms of asset and liability transfers?**

## About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex B.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).



# Annex A – Draft regulations

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## STATUTORY INSTRUMENTS

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**2019 No.**

### **PUBLIC SERVICE PENSIONS, ENGLAND AND WALES**

#### **The Local Government Pension Scheme (Amendment) Regulations 2019**

<i>Made</i>	- - - -	***
<i>Laid before Parliament</i>		***
<i>Coming into force</i>	- -	***

These Regulations are made in exercise of the powers conferred by sections 1, 3 and 25 of, and Schedule 3 to the Public Service Pensions Act 2013<sup>(a)</sup>.

In accordance with section 21 of that Act, the Secretary of State has consulted the representatives of such persons as appeared to the Secretary of State to be likely to be affected by these Regulations.

In accordance with section 3(5) of that Act, these Regulations are made with the consent of the Treasury.

The Secretary of State makes the following Regulations:

#### **Citation, commencement and extent**

**1.**—(1) These Regulations may be cited as the Local Government Pension Scheme (Amendment) Regulations 2019.

(2) These Regulations come into force on [xxx] but have effect as follows [xxx].

(3) These Regulations extend to England and Wales.

#### **Amendment of the Local Government Pension Scheme Regulations 2013**

**2.** The Local Government Pension Scheme Regulations 2013<sup>(b)</sup> are amended in accordance with regulations 3 to 6.

**3.** After Regulation 3A<sup>(c)</sup> (civil servants etc engaged in probation provision) insert the following regulations—

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<sup>(a)</sup> 2013 c. 25.

<sup>(b)</sup> S.I. 2013/2356; those Regulations have been amended by S.I. 2014/44, S.I. 2014/525, S.I. 2014/1146, S.I. 2015/57, S.I. 2015/755 and by S.I. 2018/493.

<sup>(c)</sup> Regulation 3A was inserted by S.I. 2014/1146.

### **“Pensions protection following a compulsory transfer**

**3B.**—(1) A protected transferee for the purposes of these Regulations is an active member or a person who is eligible to be an active member who was employed by a Fair Deal employer immediately before that person’s employment was compulsorily transferred to a service provider under an ongoing contract in relation to the delivery of a service or a function of the Fair Deal employer on or after [xxx: the date on which the Local Government Pension Scheme (Amendment) Regulations come into force].

(2) The employer of a protected transferee must ensure that the protected transferee has access to membership of the Scheme for so long as that person remains a protected transferee and is entitled to be an active member of the Scheme.

(3) If the employer of a protected transferee is not a Scheme employer under Part 1 or Part 2 of Schedule 2 who designates the protected transferee as being eligible for the LGPS, the Fair Deal employer must provide in their contract with the service provider that a protected transferee must be provided with access to the Scheme either by—

- (a) the service provider entering into an admission agreement under paragraph 1(d) of Part 3 of Schedule 2 to these Regulations; or
- (b) subject to sub-paragraph (4), the Fair Deal employer determining to act as the deemed employer in respect of the protected transferee.

(4) Any determination under sub-paragraph (3)(b) by a Fair Deal employer listed in paragraph 20 of Part 1 of Schedule 2 must be made in accordance with guidance issued by the Secretary of State.

(5) A person remains a protected transferee for so long as that person is wholly or mainly employed on the delivery of the service or function transferred, even if the service or function is subsequently sub-contracted or otherwise transferred to a different service provider.

(6) A person remains a protected transferee even if for a period they are not entitled to be a member of the Scheme because they are entitled to membership of another public service pension scheme in relation to the employment transferred from their Fair Deal employer.

(7) An employee of a service provider who is working wholly or mainly on the delivery of the service or function transferred from a Fair Deal employer other than by a compulsory transfer under sub-paragraph (1) may be treated as a protected transferee with the written agreement of the Fair Deal employer and the service provider.

(8) An agreement under sub-paragraph (7) may be terminated by either the Fair Deal employer or the service provider at any time.

(9) A person who is a former employee of a best value authority or a police authority in Wales<sup>(a)</sup> and who is entitled to pension protection or would be entitled to pension protection following a subsequent transfer under the Best Value Authorities Staff Transfers (Pensions) Direction 2007 is to be—

- (a) regarded as being a protected transferee when the contract is next renewed with the same contractor, or the contract passes to a new service provider, and
- (b) shall remain so regarded for such period as that person is—
  - (i) entitled to membership of the Scheme; and
  - (ii) remains wholly or mainly employed on the delivery of the service or function transferred from the best value authority or police authority in Wales.

(10) A person who is a former employee of a Welsh improvement authority<sup>(b)</sup> or a community council who is entitled to pension protection or would be entitled to pension protection following a subsequent transfer under the Welsh Authorities Staff Transfers (Pensions) Direction 2012 is to be—

- (a) regarded as being a protected transferee when the contract is next renewed with the same contractor, or the contract passes to a new service provider, and
- (b) shall remain so regarded for such period as that person is—

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<sup>(a)</sup> Section 1 of the Local Government Act 1999 (c. 27) designates the bodies which are best value authorities.

<sup>(b)</sup> Section 1 of the Local Government (Wales) Measure 2009 (c. 02) designates the bodies which are Welsh improvement authorities.

(i) entitled to membership of the Scheme, and

(ii) remains wholly or mainly employed on the delivery of the service or function transferred from the Welsh improvement authority or community council.

(11) A person who is an employee of a service provider working on the delivery of a service or function transferred from a Fair Deal employer who has not been compulsorily transferred to the provider from that Fair Deal employer in relation to the delivery of that service or function is not a protected transferee for the purposes of these Regulations.

(12) Where a transfer is requested under regulation 100(1) (inward transfers of pension rights), the administering authority must grant that request if the request relates to the transfer of a protected transferee's pension rights accrued in a pension scheme to which they had access under the Best Value Authorities Staff Transfers (Pensions) Direction 2007 or the Welsh Authorities Staff Transfers (Pensions) Direction 2012.

(13) A Fair Deal employer must have regard to advice issued by the Scheme Advisory Board on the matters to be considered in regard to the provision of pensions protection to a protected transferee or persons who may be regarded as protected transferees, including the sharing of risk.

(14) The employer of a protected transferee must—

- (a) provide sufficient and timely information to enable the Fair Deal employer to meet its Scheme functions under these Regulations; and
- (b) be responsible for, and meet any costs arising from, decisions taken by the employer which may give rise to payments under regulation 68 (employer's further payments) in the absence of express provision to the contrary in the service contract between the Fair Deal employer and the service provider.

(15) In this regulation "employer of a protected transferee" means a service provider who employs a protected transferee who is provided with access to the LGPS under this regulation."

4. In regulation 64 (special circumstances where revised actuarial valuations and certificates must be obtained), after sub-paragraph (10) insert—

"(11) Where a Scheme employer becomes an exiting employer as a consequence of the Scheme employer being merged into, or taken over by, another organisation—

- (a) the successor body becomes responsible for the exiting employer's assets and liabilities, in the absence of any express legislative provision to the contrary; and
- (b) shall be treated for the purpose of these Regulations as the Scheme employer in relation to the employees and former employees of the exiting employer.

(12) Where the successor body is a Scheme employer with active members in that administering authority or another administering authority, the assets and liabilities of the exiting employer must be automatically transferred to the administering authority of the successor body and combined with the successor body's assets and liabilities.

(13) A transfer of assets and liabilities under sub-paragraph (12) must be determined in accordance with guidance issued by the Secretary of State."

5.—(1) Schedule 1<sup>(a)</sup>(interpretation) is amended as follows.

(2) After the definition of "European pensions institution" insert—

"“Fair Deal employer” means a Scheme employer listed in paragraphs 1 to 13 and 15 to 25 of Part 1 of Schedule 2 or in paragraphs 1 to 3 and 5 to 15 of Part 2 of Schedule 2;”.

(3) After the definition of "permanently incapable" insert—

"“protected transferee” has the meaning given in regulation 3B(1);”.

(4) After the definition of "Scheme year", insert—

"“service provider” means a body contracted to deliver a service or a function of a Fair Deal employer;”.

---

(a) There are amendments to Schedule 1 which are not relevant to these Regulations.

(5) After the definition of “statutory pay” insert—

““successor body” means a body which either—

(a) takes over a Scheme employer, causing that employer to become an exiting employer; or

(b) takes on the functions of a Scheme employer following a merger between that employer and one or more organisations, and which causes that employer to become an exiting employer;”.

6.—(1) Schedule 2 (Scheme employers) is amended as follows.

(2) In Part 3, after paragraph 5 insert—

“5A. An admission agreement made under paragraph 1(d)(i) may include details of risk sharing arrangements between the Scheme employer and the admission body, provided that the Scheme employer has had regard to any advice issued by the Local Government Pension Scheme Advisory Board.”.

(3) In Part 4, in the table insert at the end—

“An employee of a service provider who is a protected transferee, where the Fair Deal employer has determined under regulation 3B(3)(b)) that the protected transferee should be deemed to be an employee of the Fair Deal employer	The Fair Deal employer referred to in column 1”
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We consent to the making of these Regulations.

*Names*

Date Two of the Lords Commissioners of Her Majesty’s Treasury  
Signed by authority of the Secretary of State for Housing, Communities and Local Government.

*Minister*

Date Ministry of Housing, Communities and Local Government  
Minister of State

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”).

Regulations 3, 5 and 6 implement the Government’s “Fair Deal” policy for local government workers with the effect that most members of the Local Government Pension Scheme who are compulsorily transferred to another employer will retain the right to membership of the Scheme.

Regulation 4 provides that where a Scheme employer becomes an exiting employer as a consequence of a takeover or a merger, the assets and liabilities of that employer automatically transfer to the successor body.

# Annex B

## Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

### **1. The identity of the data controller and contact details of our Data Protection Officer**

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at [dataprotection@communities.gov.uk](mailto:dataprotection@communities.gov.uk).

### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

### **3. Our legal basis for processing your personal data**

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty.

### **3. With whom we will be sharing your personal data**

We do not anticipate sharing personal data with any third party.

### **4. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for two years from the closure of the consultation.

### **5. Your rights, e.g. access, rectification, erasure**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

- 6. Your personal data will not be sent overseas**
- 7. Your personal data will not be used for any automated decision making.**
- 8. Your personal data will be stored in a secure government IT system.**

**Essex Pension Fund**

PO Box 11  
County Hall  
Chelmsford  
Essex  
CM1 1LX



LGF Reform and Pensions Team  
Benefits Consultation  
Ministry of Housing, Communities and Local Government  
2<sup>nd</sup> Floor, Fry Building  
2 Marsham Street  
London, SW1P 4DF

Your Ref:  
Date:

Dear Sirs,

**Local Government Pension Scheme: Fair Deal – Strengthening pension protection**  
**Policy Consultation**

The Essex Pension Fund welcomes the opportunity to comment on the proposed amendments to the rules of the Local Government Pension Scheme (LGPS). We are responding in our capacity as an Administering Authority within the scheme.

Our response commences with some specific comments and concerns and follows with responses to the individual questions raised in the consultation document.

**SPECIFIC COMMENTS AND CONCERNS**

We generally welcome the proposals to strengthen the protection for employees compulsorily transferred from relevant LGPS employers and to potentially simplify the arrangements for doing so. However, we note the proposals would make that protection statutory for local government employees which differs from the protection offered to the rest of the public sector by New Fair Deal. Whilst this will be welcomed by employees, it may not be welcomed by all Fair Deal employers.

The concept of the proposed 'Deemed Employer' provisions is potentially a positive move and could reduce funding risk for administering authorities. However, it is unlikely to make administration any easier because the administering authority is still going to deal with another additional employer to obtain contributions and the required information to be able to administer the pensions for the transferred employees (and could in fact make administration more complicated if there is a lack of clarity about where responsibilities lie between the Fair Deal employer and the service provider). It could lead to better value for local authorities as it allows the potential for smaller companies and providers to bid for contracts they cannot currently bid for due to the uncertainty of pension costs and risk; this would increase competition and could, therefore, lower prices. We welcome the promise of advice for Fair Deal employers from the LGPS Scheme Advisory Board although much will depend on the content and quality of that advice.

We believe the wording of the proposed definition of “service provider”, inserted by Regulation 5(4) of the draft amendment regulations, could be tightened up to make it clearer that it also applies to a sub-contractor where the service is immediately sub-contracted out by the main contractor.

We have concerns regarding the proposed automatic transfer of pension assets and liabilities when an LGPS scheme employer is merged into or taken over by another organisation and is in deficit at the time. We believe there needs to be some further amendments to protect Funds from a weakened funding position;

- the assets and liabilities should only be transferred to the successor body if the administering authority (of the successor body) is satisfied with its covenant, which may require the provision of a bond or other security depending on the nature of the successor body. If the administering authority is not satisfied with the successor body’s covenant, the exiting employer provisions of Regulation 64 should apply to the original employer;
- also, if assets and liabilities are transferred to the successor body which is in the same Fund as the original employer, -then ~~the successor body~~ should be required to make the deficit payments the original employer would have been required to make from the date of the merger or takeover until the next valuation in order to maintain the funding position.

## QUESTIONS

### Fair Deal

#### Protected transferees

##### ***Question 1 – Do you agree with this definition?***

Yes, we agree with the definition.

#### Fair Deal employers

##### ***Question 2 - Do you agree with this definition of a Fair Deal employer?***

Yes, we agree with the definition.

#### Transitional arrangements

##### ***Question 3 - Do you agree with these transitional measures?***

Yes, we agree with the transitional measures.

##### ***Question 4 – Do you agree with our proposals regarding the calculation of inward transfer values?***

Yes, we agree with the proposals.

#### The ‘deemed employer’ approach

##### ***Question 5 – Do you agree with our proposals on deemed employer status?***



The concept of the proposed 'Deemed Employer' provisions is potentially a positive move and has the potential to reduce funding risk for administering authorities. However, it is unlikely to make administration any easier because the administering authority is still going to be dealing with an additional employer to obtain contributions and the required information to be able to administer the pensions for the affected employees. (and could in fact make administration more complicated if there is a lack of clarity about where responsibilities lie between the Fair Deal employer and the service provider – see our answer to Question 7 below). It could lead to better value for local authorities as it allows the potential for smaller companies and providers to bid for contracts they cannot currently bid for due to the uncertainty of pension costs and risk; this could lead to a more competitive market.

We welcome the promise of advice for Fair Deal employers from the LGPS Scheme Advisory Board although much will depend on the content and quality of that advice.

#### **Question 6 – What should advice from the scheme advisory board contain to ensure that deemed employer status works effectively?**

As a minimum, the advice should cover:

- the advantages of risk sharing/pass through arrangements;
- the setting out of responsibilities between the two employers;
- how the Fair Deal employer will be protected against decisions of the service provider that affect pension costs (e.g. above inflation pay awards).

The advice should also cover the respective advantages/disadvantages of the Deemed Employer and admission body routes so that Fair Deal employers give this sufficient consideration at the outset.

#### **Responsibilities for employers**

##### ***Question 7 – Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?***

Yes, we believe the respective responsibilities of the service provider and the Fair Deal employer need to be clear and should be specified in the LGPS Regulations 2013.

#### **Existing arrangements**

##### ***Question 8 – Is this the right approach?***

Yes, we believe this is the right approach. As in our answer to question 6 above, we believe the advice should also cover the respective advantages/disadvantages of the Deemed Employer and admission body routes so that Fair Deal employers give this sufficient consideration at the outset.

#### **Timely consideration of pensions issues**

##### ***Question 9 – What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or functions are outsourced?***

**Commented [CP1]:** Question 6 of the consultation asks what the SAB advice should contain to ensure that deemed employer status works effectively. This question is not addressed in the response -I'm not sure if this is deliberate or has simply been overlooked. If it has been overlooked, some examples that you may wish to include in your response to this question include the advantages of risk sharing/pass through arrangements; the setting out of responsibilities between the two employers; how the Fair Deal employer will be protected against decisions of the service provider that affect pension costs (e.g. above inflation pay awards).

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**Commented [CP2]:** The draft regulations as currently written put the decision whether to use deemed employer or admission agreement with the Fair Deal employer. You may wish to suggest that a provision is added that the Fair Deal employer must consult with the service provider/Administering Authority before making its decision about which is the best approach.

In our experience there are varying degrees of engagement by local authorities in the pensions aspects of outsourcing. We strongly believe, to effect any real change, there needs to be a default regulatory position which can only be changed if the Fair Deal employer specifies in the tender documents, so it is clear to all bidders from the outset. The default position should require the Deemed Employer route to be used and all pension costs to be retained by the Fair Deal employer except those arising from decisions made by the service provider, i.e. decisions where costs may be payable under regulation 68 of the LGPS Regulations 2013 and salary increases more than the assumptions made by the fund's actuary. The default position would generally be the one most likely to lead to better value in outsourcing contracts because it means that bidders have a degree of certainty around pension costs and do not have to build in a margin to allow for unknown pension costs which can significantly impact on the value for money achieved.

### Public sector equality duty

**Question 10 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?**

As mentioned above, we note that the proposals would make that protection statutory for local government employees which differs from the protection offered to the rest of the public sector by New Fair Deal.

### Transferring pension assets and liabilities

**Question 11 – Is this the right approach?**

**Question 12 – Do the draft regulations effectively achieve our aims?**

We believe this is the right general approach and that the draft regulations do achieve the stated aims. However, we do have some concerns and feel there needs to be some further amendments to protect Funds from a weakened funding position where there is a merger or takeover;

- the assets and liabilities should only be transferred to the successor body if the administering authority (of the successor body) is satisfied with its covenant, which may require the provision of a bond or other security depending on the nature of the successor body. If the administering authority is not satisfied with the successor body's covenant, the exiting employer provisions of Regulation 64 should apply to the original employer.
- if assets and liabilities are transferred to the successor body which is in the same Fund as the original employer, then ~~the~~ the successor body should be required to make the deficit payments the merged or taken over employer would have been required to make from the date of the merger or takeover until the next valuation in order to maintain the funding position.

**Question 13 – What should guidance issued by the Secretary of State state regarding the terms of asset and liability transfers?**

**Commented [CP3]:** Your response does not cover Q 13 of the consultation, about what SoS guidance about the transfer of assets and liabilities should cover. It's not clear if this is deliberate or has been overlooked. If it has been overlooked, some examples that you may wish to include in your response to this question include clarity about how the transfer value to be paid will be arrived at, particularly in cases where fewer than 10 members are involved (as the bulk transfer requirements of Reg 103 only apply where more than 10 members are involved); and whether the transfer of pensions in payment will be automatic or not.

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The guidance should make clear a requirement for the successor body to satisfy the relevant administering authority in relation to its covenant and to provide a bond or other security where deemed necessary. The guidance should also provide clarity around how the amount to be transferred will be arrived at.

Yours sincerely

**Telephone:**

**Fax:**

**Internet:** [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)

**E-Mail:** [pensionenquiries@essex.gov.uk](mailto:pensionenquiries@essex.gov.uk)

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



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 08</b>
<b>Date: 6 March 2019</b>	

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

Report by the Director for Essex Pension Fund

Enquiries to Kevin McDonald on: 0333 0138 488

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### **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 20 February 2019.

### **4. Report of the meeting of ISC on 20 February 2019**

- 4.1 The Committee agreed a schedule of meeting dates for the municipal year 2019/20.
- 4.2 The Committee received an update from the Director for Essex Pension Fund on the progress made to date on the review of the investment and funding risks of the Fund.
- 4.3 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS. The progress on the Phase 1 and 2 sub-fund construction, seeding arrangements, governance arrangements and ACCESS Support Unit recruitment was outlined.
- 4.4 Following on from the successful launch in November of ACCESS first sub fund; Baillie Gifford Long Term Global Growth, Members were informed that ACCESS had successfully launched a further seven sub funds in January and February as part of tranche 2. At its November meeting the ISC agreed to invest in two further global equity sub funds; M&G and Longview.
- 4.5 It was explained that M&G assets was successfully transferred on 29 January to the ACCESS M&G global equity dividend fund.
- 4.6 It was also noted in January the overweight position of Longview global equity mandate had been rebalanced back successfully to within agreed tolerance of its strategic allocation with the proceeds used to top up the regional and RAFI indexes managed by the Fund's passive manager, UBS back in line with its target allocation. The remaining Longview assets was successfully transferred on 4 February to the ACCESS Longview global equity sub fund.
- 4.7 It was explained that commercial discussions had also concluded with investment managers in relation to populating Phase 1 tranche 3 sub funds. It was noted that the prospectus for tranche 3 sub funds was currently with the FCA for approval with an expected launch date of May 2019.

- 4.8 An update was also provided in relation the ACCESS Support Unit recruitment.
- 4.9 The focus of the meetings business was the bond portfolio structure review which was supplemented with a training presentation from Hymans Robertson of the Fund's current portfolio structure.
- 4.10 Consideration was given to the current structure of the Fund's bond portfolio reflecting on recent developments within the ACCESS pool.

The Committee agreed:

- the overall structure of the bond mandate remains appropriate, a combination of two active bonds mandates complimented by an allocation to index linked gilts passively managed;
  - the absolute return strategy remains appropriate in terms of delivering the required characteristics in terms of return, risk and diversification;
  - in the interim the bond managers are retained by the Fund whilst ACCESS brings further bond managers onto the pool and procures other managers;
  - a further report be brought back to a future meeting once the suite of bond sub fund options become available.
- 4.11 Further consideration was given to Marathon's global equity mandate. An update was provided of the Officer and Adviser discussions with Marathon in respect of beginning the process of disinvesting from the global equity mandate.

The Committee agreed:

- in light of changing market conditions to proceed with the 2% disinvestment from Marathon with the monies being transferred into the passive equity strategies managed by UBS, rather than index linked gilts as previously agreed by the ISC at their November meeting; and
  - to rebalance the passive equity strategies managed by UBS in line with the central regional benchmarks.
- 4.12 An update was provided on the Fund's infrastructure manager, Partners Group. Consideration was given to maintaining its target allocation of 4%. It was agreed a further £60m be committed to the 2018 Partners Group Global

Infrastructure fund and that a further £60m be committed in principle to the 2019 Direct Infrastructure fund due to be launched later in the year.

- 4.13 A presentation was received from Hamilton Lane on the private equity portfolio. The Committee agreed to a further commitment of £50m to new private equity opportunities during 2019/20.

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

### **5.1 Investments**

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

## **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 The examination of the potential risks associated with pooling and the migration of Fund assets into the Pooled structure are currently under review. The review 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 per Fund is estimated to be £105,000 in 2018/19. The cost to the Fund was £94,000 and £80,000 in 2017/18 and 2016/17 respectively.

## **9. Background Papers**

- 9.1 ISC meeting of 20 February 2019 – agenda and draft minutes.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 09</b>
<b>Date: 6 March 2019</b>	

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

Report by the Compliance Manager

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Enquiries to Amanda Crawford on 03330 321763

### **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 5 February 2019.

### **4. Report of the meeting of PAB on 5 February 2019**

4.1 The Board received report PAB 03 from the Director for Essex Pension Fund in relation to the PAB vacancy. The Board were notified that the PSB decided at their meeting in December 2018 to review the PAB Membership as a whole rather than set up a recruitment exercise for one vacancy.

4.2 The Board therefore agreed:

- that the Director for Essex Pension Fund would reach out to PAB Members to establish their views on their own intentions, the current structure and framework;
- the reciprocal chairing arrangements with Norfolk would be reviewed;
- PAB members would feed in their comments on the PAB review to the Chairman to allow onward transmission to the PSB; and
- the IGAA would consider timing of appointments and life-cycle to ensure continuity.

4.3 The Board received a report, PAB 04, and presentation from the Head of Essex Pension Fund in relation to the appointment of the Independent Governance and Administration Advisor (IGAA).

4.4 The Board received a report, PAB 05, and presentation from the Director for Essex Pension Fund in relation to the Risk Review. They were notified that with the addition of the new IGAA, the Fund had had decided to delay the issuing of the review so the IGAA could provide their comments for consideration by the Fund. The revised risks would then be submitted to the Boards. The Board was notified that the full revised risk register would be provided to the PSB at their March 2019 meeting and would be included in the June 2019 PAB meeting.

- 4.5 The Board received report PAB 06 from the Technical Hub Manager which provided details of the consultation undertaken with the Fund's Employers in relation to the draft revised Administration Strategy. The Board noted the revised Administration Strategy and that it was published week commencing 14 January 2019.
- 4.6 The Board received report PAB 07 from the Technical Hub Manager which explained that the policy had worked well again for 2017/18 and that it was felt no changes were necessary at this time. The Board asked if it was possible to produce some data showing trends to identify, for example, if there are any sectors struggling. The Head of Essex Pension Fund agreed to analyse the two-year data held to identify any trends and report back to the Board at a future meeting.
- 4.7 The Board received report PAB 08 from the Technical Hub Manager which provided the Board with the Fund's response to the Ministry of Housing, Communities and Local Government (MHCLG) consultation in relation to technical amendments to benefits.
- 4.8 The Board received an additional report PAB 08a in relation to a written statement from The Treasury notifying Fund's of the recent judgements on the McCloud and Sargeant cases on the valuation. As a result of this announcement, the cost cap rectification process for the Firefighter Pension Scheme would be suspended, pending the outcome to the Government's appeal. The Board noted that the review of Cost Cap had been paused.
- 4.9 The Board received report PAB 09 from the Technical Hub Manager bringing their attention to a consultation by MHCLG on the introduction of the Government's New Fair Deal principles into the LGPS. The Board was notified that the Fund would provide their proposed response to the PSB at their March 2019 meeting.
- 4.10 The Board received report PAB 10 from the Director for Essex Pension Fund in relation to the latest Investment Steering Committee (ISC) meeting which saw the moving of assets into the ACCESS pools sub-fund as part of tranche 1.
- 4.11 The Board received a report, PAB 11, and presentation from the Head of Essex Pension Fund in relation to the GMP Reconciliation project and were notified of a further potential project in relation to GMP Equalisation.

- 4.12 The Board received report PAB 12 in relation to the National Confidence Survey where the Chairman notified the Board of the Fund's results.
- 4.13 The Director for Essex Pension Fund also notified the Board that the 'informal' consultation in relation to the MHCLG Statutory Guidance on Pooling. The Board were notified that the consultation is taking place over a 12-week period with the deadline of 28 March 2019. The Chairman asked for PAB Members to feed in any comments to her to enable a collective Board response to be prepared.
- 4.14 The Chairman notified the Board that she would like to see the following items on the agenda for the next meeting:
- LGPS Good Governance Review;
  - Exit Payments i.e. if there are any consequences to paying surplus payments to exiting contractors; and
  - Consideration of the SAB survey on Pension Boards (if available).
- 4.15 In addition, the Board discussed BBC Essex's coverage of aspects of the Fund's Investment Strategy. It was highlighted that in circumstances of this nature the protocol was that the ISC Chairman would release a statement to the media. Officers undertook to circulate the ISC Chairman's statement to the Board.

## **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 05 February 2019 meeting.