



Essex County Council

Essex Pension Fund Strategy Board

13:00	Wednesday, 12 September 2018	Committee Room 2, County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

Amanda Crawford, Compliance Manager

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9 Schedule of Future meetings

To note the following future dates:

Pension Strategy Board

19 December 2018 – earlier start time 9am-1pm to be agreed

6 March 2019

3 July 2019 – to be agreed

Investment Steering Committee

17 October 2018

28 November 2018

20 February 2019

27 March 2019

10 Urgent Business

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

Exempt Items

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

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

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

11 Year End Returns Charging Policy update 2017/18

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

12 IGAA Contractual Arrangements

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

13 Pooling Update

To receive a verbal update by the Director for Essex Pension Fund

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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Essex Pension Fund Strategy Board	PSB 01
Date: 12 September 2018	

Essex Pension Fund Membership, Substitutions and Declarations of Interest

Report by the Compliance Manager for Essex Pension Fund

Enquiries to Amanda Crawford on 03330 321763

1. Purpose of the Report

- 1.1 To present Membership, apologies, substitutions and Declarations of Interest for the 12 September 2018 PSB.

2. Recommendation

- 2.1 That the Board should note:

- Membership as shown below;
- Apologies and substitutions;
- 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 C Pond

Councillor L Scordis

Councillor C Souter

Councillor C Riley

Councillor A Moring

Sandra Child

Ms J Moore

Representing

Essex County Council (Chairman)

Essex County Council (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

Notes of the meeting of the Essex Pension Fund Strategy Board (PSB) held in Committee Room 2, on 4 July 2018

1. Membership, Apologies, Substitutions and Declarations of Interest.

The report of the Membership, Apologies and Declarations was received.

Membership

Present:

Essex County Council

Cllr S Barker	(Chairman)
Cllr A Goggin	
Cllr C Pond	(left at 3.05pm)
Cllr C Souter	

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
Samantha Andrews	Investment Manager
Sara Maxey	Employer Manager
Helen Pennock	Compliance Analyst
Ian Colvin	Independent Governance and Administration Advisor (IGAA) (Hymans Robertson LLP)
Melanie Durrant	the Fund Actuary, Barnett Waddington

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

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

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

The Chairman welcomed: Cllr C Pond (Essex CC) to his first PSB meeting and PAB observers Debs Hurst, Paul Hewitt and Andrew Coburn.

Apologies for Absence

Apologies were received from Cllr Platt, Cllr Hedley, Cllr Maddocks (Essex CC), and Cllr Moring (Southend-on-Sea Borough Council). Cllr Scordis (Essex CC) was absent from the meeting.

It was noted that Essex Pension Fund Advisory Board member Mark Paget was unable to attend.

Declarations of Interest

Declarations were received from Councillor S Barker, Councillor C Souter, Councillor C Riley and Jenny Moore who are in receipt of an Essex LGPS pension. Councillor A Goggin declared his, wife, sister and brother-in-law are in receipt of an Essex LGPS pension.

2. Appointment of Chairman

It was noted that on 15 May 2018, Cllr Susan Barker was formally reappointed at the Annual Meeting of Essex County Council, Chairman of the Essex Pension Fund Strategy Board and the Essex Pension Fund Investment Steering Committee.

Resolved:

That the Board note this.

3. Appointment of Deputy Chairman

It was agreed that Cllr M Platt be appointed as Deputy-Chairman.

Resolved:

That the Board note this.

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

Kevin McDonald highlighted that an unchanged ToR was agreed at the annual meeting of Essex County Council on 15 May 2018.

Resolved:

That the Board note the ToR.

5. Minutes

Minutes of the meeting of the Essex Pension Fund Strategy Board held on 7 March 2018 were approved as a correct record and signed by the Chairman.

The following points were raised by the Chairman for noting:

- Business plan activity; effectiveness of the Board, Item 10 on the agenda;
- Surviving co-habitees, the Director for Essex Pension Fund gave an update on the Brewster case confirming that the Fund has received the

court judgement but was still waiting for the Judge's reasoning behind the judgement.

Resolved:

That the Board note the discussion and update.

6. 2018 Interim Review

The Board received a report from the Fund Actuary and Director for the Essex Pension Fund which considered the impact of the Interim Review on the Funding Strategy.

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

Members were advised that all funds were required to produce, consult on and publish a Funding Strategy Statement (FSS).

It was noted that it was good practice for Fund's to carry out interim valuations between the triennial valuation cycle.

Melanie Durrant from Barnett Waddington provided an update on the change in asset and liability values and assumptions used since the last triennial valuation. It was confirmed that the Fund's funding level continued to improve, increasing from 93% to 94% in the 12 months to 31 March 2018.

An overview of the different valuation approaches and purposes was discussed.

Resolved:

That the Board **agree:**

- that no changes are required to the Funding Strategy Statement as a consequence of the interim valuation review; and
- that the outcome of the interim valuation review be noted.

7. Review of Administration Strategy

Jody Evans, the Head of the Essex Pension Fund gave an update on progress made to date in respect of the review of the Fund's Administration Strategy.

It was explained that an initial draft was presented to the Essex Pension Fund Advisory Board at its 1 June 2018 inviting member feedback.

It was noted that some comments had been received from the Chairman, Cllr Barker prior to the meeting which will be incorporated into the latest draft.

Members of the Board were invited to email the Head of the Essex Pension Fund with any further comments by the end of August.

The timetable for stakeholder consultation and publication of the final Administration Strategy was also highlighted.

Resolved:

That the Board **agreed** that:

- following feedback the Administration Strategy be circulated to stakeholders for consultation;
- the outcome of the stakeholder consultation be brought back to the Board's December meeting; and
- the update, review process and timetable be noted.

8. Governance & Compliance Statement

The Board considered a report and presentation by the Independent Governance and Administration Adviser on the progress made to date of the review of the draft Governance & Compliance Statement.

It was noted PAB members at its 1 June 2018 were invited to provide feedback on the Statement.

It was explained that in view of the new 'pooling' landscape the ISC revisit their Terms of Reference (ToR) and that any changes be then incorporated in the final draft of the Statement.

Resolved:

That the Board **agree**:

- that the ISC consider reviewing its ToR;
- a couple of minor presentation revisions; and
- that the update be noted.

9. Review of Fund Objectives and Risks

The Board received a presentation by the Independent Governance and Administration Adviser (IGAA) on the progress made in respect of the review of Fund Objectives and Risks.

It was highlighted that at its meeting of 21 March the PSB agreed a full set of revised objectives. Since then Fund officers along with the IGAA had commenced the review of the Fund's risks and have received some initial feedback from Fund Advisers.

It was explained that a revised set of investment risks will be considered at a future ISC after which the full set of risks will be brought back to the Board for their final consideration.

Resolved:

That the Board **agree** that:

- the administration objective of “*Data is protected to ensure security and authorised use only*” be amended to say “*Data is protected to ensure security and authorised use only and is regulatory compliant*”; and
- the progress to date be noted.

10. 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 were appraised of the objectives, the risks and progress against the objectives, noting in particular any areas of concern.

During consideration of this item the following points were highlighted:

- The business plan objectives;
- The year end charging policy and the current position of employers’ year end data submission;.
- Three year Business Plan;
- No changes to the Fund’s risks;
- No Scorecard red measures this quarter– a red measure was recorded as at March due to the vacancy on the PAB, this has now been resolved;
- Amber measure in respect of Castle Point Citizens Advice, one of the Fund’s admitted bodies; and
- Amber measure relating to Members attendance.

Members were reminded by the Chairman that if they are unable to attend any of the meetings they should seek to make arrangements to be represented by a group substitute.

Resolved:

That the Board note:

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

11. External Audit

The Board received a report from the Investment Manager outlining EY’s external Audit Plan in relation to the 2017/18 financial statements of the Essex Pension Fund.

It was explained that the Audit Plan sets out the approach that will be adopted for the external audit, summarising EY’s initial assessment of the key risks, and outlining their planned audit strategy in response to those risks.

Members were informed that the Audit Plan had previously been received by the Audit, Governance and Standards Committee on 26 March 2018.

Resolved:

The Board note the content of the report.

12. Essex Pension Fund – Draft Accounts 2017/18

The Director for Essex Pension Fund provided a summary of the process for publication of the Pension Fund's financial statements for 2017/18.

It was highlighted that for 2017/18 financial year, the County Council and Pension Fund had been subject to a faster close which required the Fund to present its annual accounts for external audit by 31 May and publish its final audited and approved accounts by 31 July each year. These statutory deadlines in previous years were 30 June and 30 September respectively

Members were informed that the results of the external audit would be brought to the Board's September meeting.

The Director for the Essex Pension Fund thanked Samantha Andrews and Sara Maxey for the hard work in ensuring the accounts were ready by the deadline.

Resolved:

The Board note the content of the report.

13. Essex Pension Fund – Annual Report

The Board considered the Annual Report of the work undertaken by the PSB. Members were informed that the Chairman would present the Annual Report to Full Council on 10 July 2018.

Resolved:

The Board note the content and suggested additions to the report.

14. 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 28 March and 27 June 2018 since the last PSB meeting. It was highlighted the latter meeting had occurred after the PSB agenda dispatch as a consequence the Director for the Essex Pension Fund provided a verbal update on that meeting.

Resolved:

The Board note the content of the report.

15. PAB Quarterly Report

The Board received an update from the Head of Essex Pension Fund on the PAB meeting held on the 1 June 2018.

It was noted that following the resignation of scheme member representative Jenny Hunt, the recruitment process had now concluded and that Debs Hurst was identified as the successful candidate.

Resolved:

The Board noted the content of report.

16. Schedule of Future meeting

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

Pension Strategy Board

12 September 2018

19 December 2018

6 March 2019

Investment Steering Committee

18 July 2018

17 October 2018

28 November 2018

20 February 2019

27 March 2019

It was reaffirmed that all meetings will commence at 1pm. Members were reminded by the Chairman that if they are unable to attend any of the meetings they should seek to make arrangements to be represented by a group substitute.

17. Urgent Part I Business

None

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

That, having reached the view that, in each case, the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following items of business on the grounds that they involved the likely disclosure of exempt information as specified in paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

The Chairman brought to the attention the above statement.

18. Fund Actuary – contractual arrangements

The Board received a report from the Director for Essex Pension Fund outlining the outcome of the review undertaken by Fund officers of the performance of the Fund Actuary, Barnett Waddingham.

Resolved:

The Board **agree** that:

- Barnett Waddingham continue to be contracted as Fund Actuary;
- a further review in 2020 be undertaken and a report be brought back to the future Board meeting; and
- the content of the report be noted.

19. Pooling Update

Kevin McDonald, Director for Essex Pension Fund, gave an update outlining the latest developments in respect of the structural reform of the LGPS.

The progress on key work streams were outlined in particular the establishment and hosting of the ACCESS Support Unit and the progress to date made in respect of finalising the prospectus for the first sub-fund for submission to Financial Conduct Authority.

It was noted that the ISC had at their last meeting agreed in principle to adopt the future ACCESS Security Lending Policy and ACCESS voting guidelines as part of the terms to invest in the sub-funds of the ACCESS Authorised Contractual Scheme (ACS).

Resolved:

The Board note the content of the report.

20. Date of Next Meeting

To note that the next PSB meeting is 12 September 2018.

21. Urgent Exempt Business

Cllr C Riley commented that the slide pack was very helpful.

There being no further business the meeting closed at 3.20pm

Chairman
12 September 2018

Essex Pension Fund Strategy Board	PSB 03
Date: 12 September 2018	

Essex Pension Fund External audit results report 2017/18

Report by the Director for Essex Pension Fund

Enquiries to Kevin McDonald on 03330 138488

1. Purpose of the Report

- 1.1 To present for information Ernst and Young's (EY) 2017/18 Pension Fund Audit results report.

2. Recommendation

- 2.1 That the Board should note the report.

3. Background

- 3.1 The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the National Audit Officer (NAO) Code of Audit Practice.
- 3.2 The Code of Practice requires EY to report to those formally charged with governance on the work they have carried out. To this end the Audit, Governance and Standards Committee has ultimate responsibility for the governance of Essex County Council.
- 3.3 The Audit, Governance & Standards Committee considered EY report of the audit work that has been undertaken on the Pension Fund financial statements and annual report at its meeting on 30 July 2018.

4. Revised Publication Timetable

- 4.1 For the 2017-18 financial year, the County Council and Pension Fund, has been subject to a faster close.
- 4.2 The Fund is now required to present its annual draft accounts for external audit by 31 May and publish its final audited and approved accounts by 31 July each year. These statutory deadlines are earlier than those that applied in previous years that is, in previous years the deadlines were 30 June and 30 September respectively.
- 4.3 The Fund is also required to publish a separate Annual Report and Accounts by 1 December.

5. Accounts Closure & EY External Audit results report

- 5.1 The Pension Fund successfully closed the accounts in accordance with the Funds year-end closure timetable and had a draft of the accounts ready by the middle of May and EY commenced the External Audit in June.
- 5.2 In July, EY issued their Audit results report for the Pension Fund for the year ended 31 March 2018. This document is attached for Members' information.

- 5.3 The executive summary of the document contains the following comments:

“We have substantially completed our audit of Essex Pension Fund’s financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund’s financial statements in the form which appears in section 3.

There are no unadjusted audit differences arising from our audit”.

- 5.4 No changes have been made to the main financial statements: the Fund Account and Net Asset Statement.

6. Pension Fund Annual Report & Accounts 2017-18

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

7. Background Papers

- 7.1 The Local Government Pension Scheme (Administration) Regulations 2008.
- 7.2 The National Audit Office’s Code of Audit Practice.

Essex Pension Fund Audit results report

Year ended 31 Month 2018

9 July 2018

9 July 2018



Dear Audit, Governance and Standards Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit, Governance and Standards Committee. This report summarises our preliminary audit conclusion in relation to the audit of Essex Pension Fund for 2017/18.

We have substantially completed our audit of Essex Pension Fund for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018.

This report is intended solely for the use of the Audit, Governance and Standards Committee, other members of the Authority, and Senior Management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

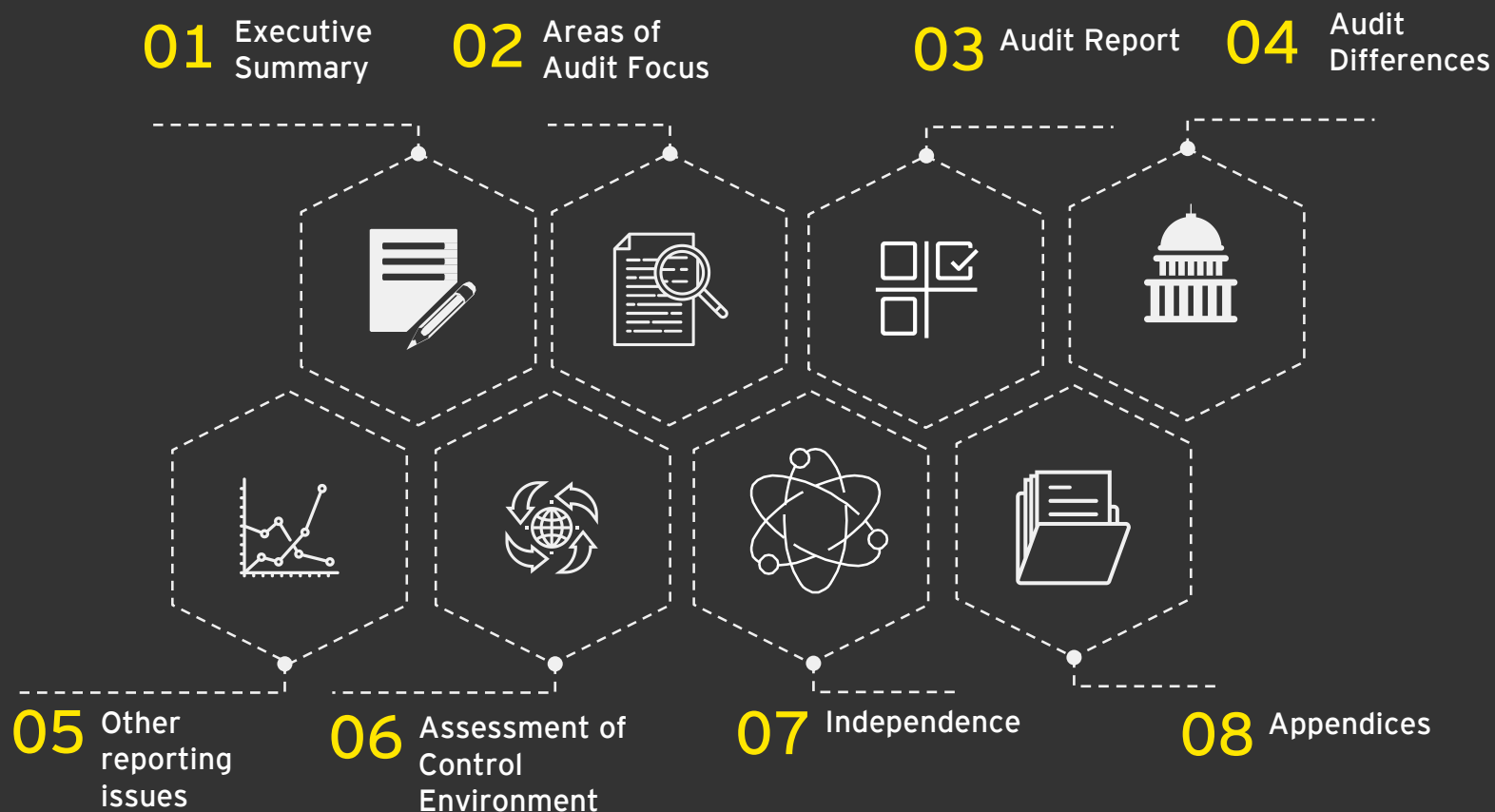
Yours faithfully

A handwritten signature in blue ink that reads "Kevin Suter".

Kevin Suter

Associate Partner
For and on behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit, Governance and Standards Committee and management of Essex Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit, Governance and Standards Committee, and management of Essex Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit, Governance and Standards Committee and management of Essex Pension Fund for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented to the Audit, Governance and Standards Committee on 26 March 2018, we gave you an overview of how we intended to carry out our responsibilities as your auditor.

We have carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £120 million. We reassessed this using the actual year-end figures, which have increased this amount to £130 million. The threshold for reporting audit differences has increased from £6 million to £6.5 million. The basis of our assessment of materiality has remained consistent with prior years at 2% of Net Assets.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them.

They include:

Related Party Transactions - The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.

Status of the audit

We have substantially completed our audit of Essex Pension Fund's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund's financial statements in the form which appears in section 3.

However until the following work is complete, further amendments may arise. The outstanding items are:

- Review of the final version of the annual report;
- Receipt of cash and cash equivalent third party confirmations;
- Completion of subsequent events review;
- Completion of Final Review Procedures; and
- Receipt of the signed Management Representation letter.



Executive Summary

Audit differences

There are no unadjusted audit differences arising from our audit.

We identified a limited number of disclosure audit differences in the draft financial statements, which have been adjusted by management. Further details are provided in section 4.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Essex Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit, Governance and Standards Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Report for consistency with the financial statements and our knowledge of the Fund.

We will perform a review of the information presented in the Annual report for consistency with the financial statements and our knowledge of the Fund. As reported in the Status of Work section on page 5, we are awaiting receipt of the annual report for our review.

Independence

Please refer to Section 7 for our update on Independence. We have no independence issues to highlight.



02

Areas of Audit Focus



Areas of Audit Focus

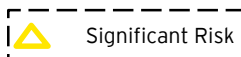
Significant risk

Risk of management override

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



What judgements are we focused on?

We have assessed that the risk of management override is most likely to affect year-end investment assets, specifically through journal postings.

Total net assets of the Fund available at 31 March 2018: £6.5 billion

What are our conclusions?

Our testing has not identified any material misstatements from year end investment assets.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

What did we do?

We performed the following audit procedures:

- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewed accounting estimates for evidence of management bias;
- ▶ Evaluated the business rationale for significant unusual transactions; and
- ▶ Agreed all investment valuations to direct custodian and fund manager confirmations and investigated any differences.

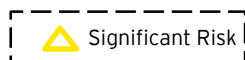
We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.



Areas of Audit Focus

Significant risk

Valuation of Complex Investments (Unquoted and Direct Property Investments)



What is the risk?

Judgements are taken when valuing those investments whose prices are not publicly available. The material nature of investments means that any error in judgement could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated. Such variations could have a material impact on the financial statements.

As these investments are more complex to value, we have identified the Fund's investments in property and unquoted pooled investment vehicles as a significant risk, as even a small movement in these assumptions could have a material impact on the financial statements.

What judgements are we focused on?

We have assessed that there is a risk of material misstatement to the financial statement due to the complex valuation methods used for level 3 investments. This includes private equity, infrastructure and property.

Total level 3 assets of the Fund at 31 March 2018: £1.2 billion

What are our conclusions?

Our testing has not identified any material misstatements for level 3 year-end investment balances.

We have not identified any inappropriate valuation methodologies or judgements being applied.

We have not identified any issues with the competence of the management experts used.

What did we do?

We performed the following audit procedures:

- ▶ Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- ▶ Assessed the competence of management experts; and
- ▶ Performed analytical procedures and checking the valuation output for reasonableness against our own expectations.



Areas of Audit Focus



Valuation methods applied

Financial statement area	Valuation method applied and related disclosures	Impact of changes made to the valuation method applied
Valuation of Complex Investments (Unquoted and Direct Property Investments)	The valuation methodology applied to these investments is reported in note 16.3 of the financial statements.	No changes have been made to the valuation methodology applied in 2017-18. We note that there was a change in the valuer of direct property investments during the period, but no issues have been identified as a result of our audit procedures.
Actuarial present value of promised retirement benefits (IAS 26)	The valuation methodology applied to IAS 26 in reported is note 15.3 of the financial statements. This figure is calculated by the Actuary.	No changes have been made to the valuation methodology applied in 2017-18.

We report valuation methods applied where there is a risk of material misstatement. We have not identified any issues with these valuation methodologies applied by the Pension Fund.

As per slide 10 we raised the valuation of complex investments for unquoted and direct property investments as a significant risk.



Other matters

There are some 2018/19 regulatory developments including some technical changes which might impact the Pension Fund, these include:

- ▶ IFRS 9 Financial Instruments - classification and measurement of financial assets after initial recognition. The code requires implementation of the above disclosure from 1 April 2018. These changes are not considered to have a material effect on the Pension Fund accounts of 2017/18; and
- ▶ IFRS 15 Revenue from Contracts with Customers - the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. These changes are not considered to have a material effect on the Pension Fund accounts of 2017/18 due to the nature of its income.



03 Audit Report



Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX PENSION FUND

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- ▶ give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and
- ▶ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Executive Director for Corporate and Customer Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Executive Director for Corporate and Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Essex County Council Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Executive Director for Corporate and Customer Services is responsible for the other information.



Audit Report

Our opinion on the financial statements

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director for Corporate and Customer Services

As explained more fully in the Statement of the Director for Corporate and Customer Services Responsibilities set out on page 2, the Statement of the Director for Corporate and Customer Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.



Audit Report

Our opinion on the financial statements

In preparing the financial statements, the Director for Corporate and Customer Services is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Essex Pension Fund, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Essex Pension Fund and Essex Pension Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.



04

Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have not identified any misstatements greater than our reporting threshold of £6.5 million which have required correction by management.

Our audit identified only a limited number of minor misstatements which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Statement of Accounts and Annual Report.

There are no adjusted differences that we need to bring to your attention.

There were no uncorrected misstatements.



05 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Essex Pension Fund Statement of Accounts with the audited financial statements

We have no matters to report in relation to the above.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]'s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 2 March 2018.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit, Governance and Standards Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit, Governance and Standards Committee on 30 July 2018.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s	£'s
Total Audit Fee - Code work (Note 1).	36,766	36,766	31,266	36,766

Note 1:

As reported in our Audit Planning Board report dated 26 March 2018, we plan to charge an additional fee of £5,500 in 2017/18 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies.

This additional fee has been discussed with management and is subject to approval by the PSAA.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.



08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the Net Assets Statement and any changes to this approach from the prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the Net Assets Statement include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Net Assets Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Long term assets	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Current Assets (Debtors)	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Current Liabilities (Creditors)	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B

Summary of communications




Date 	Nature 	Summary 
26 March 2018	Meeting/Report	The Audit Manager met with the Audit, Governance and Standards Committee to discuss focus areas of the Audit, Governance and Standards Committee to discuss the Audit Plan and areas of focus for the audit. This included confirmation of independence.
22 June 2018	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit, Governance and Standards Committee.
30 July 2018	Meeting/Report	The partner in charge of the Essex County Council engagement , accompanied by other senior members of the audit team, met with the Audit, Governance and Standards Committee and senior members of the management team to discuss the audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.




Appendix C

Required communications with the Audit, Governance and Standards Committee

There are certain communications that we must provide to the Audit, Governance and Standards Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit, Governance and Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 26 March 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 26 March 2018
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 30 July 2018
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 30 July 2018
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Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit Plan - 26 March 2018</p> <p>and</p> <p>Audit Results Report - 30 July 2018</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - 30 July 2018
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 30 July 2018
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit, Governance and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - 30 July 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit, Governance and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit, Governance and Standards Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	We have no matters to report.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Results Report - 30 July 2018
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have no matters to report.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit, Governance and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Governance and Standards Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 30 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 30 July 2018
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 30 July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the Audit Plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan - 26 March 2018 and Audit Results Report - 30 July 2018

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

30 July 2018

Kevin Suter
Ernst & Young
400 Capability Green
Luton LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Essex Pension Fund ("the Fund") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2017 to 31 March 2018 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2018, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Management representation letter – continued

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date 30 July 2018.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

8. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation

and claims, both actual and contingent.

4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. As described in Note 20 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement within the Essex County Council Statement of Accounts 2017/18.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Derivative Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that the Fund has made no investment in pooling investments.

J. Actuarial Valuation

1. The latest report of the actuary Barnett Waddingham as at 31 March 2016 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

Management representation letter – continued

Management Rep Letter

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the investments of the Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates – Valuation of Investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out the planned investment activities on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

M. Investment Managers' Control Reports

1. Where the latest reports do not cover the whole of the 2017/18 audit period we confirm that we are not aware of any issues with the respective fund managers that indicate a reduction in control procedures.

Yours faithfully,

(Executive Director for Corporate and Customer Services Corporate and Customer Services)

(Chairman of the Audit, Governance and Standards Committee)

About EY

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ED None

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Essex Pension Fund Strategy Board	PSB 04
Date: 12 September 2018	

Internal Audit Annual Report 2017/18

Report by Paula Clowes - Head of Assurance

Enquiries to Paula Clowes 03330 321474

1. Purpose of the Report

- 1.1 The Essex Pension Fund Board's Terms of Reference include the monitoring of administration of the Essex Pension Fund. It is therefore appropriate for the Board to receive reports from Internal Audit regarding the control environment of the Pension Fund and Administration.
- 1.2 This report provides a summary of Internal Audit's 2017/18 activity in relation to the pension fund and proposals for 2018/19.

2. Recommendations

- 2.1 Pension Board Members are requested to note the outcomes of the 2017/18 plan.
- 2.2 Pension Board members are requested to note the outcomes of the 2017/18 National Fraud Initiative.
- 2.3 Pension Board members are requested to note the planned audits of the Pension Fund for 2018/19.

3. Background

- 3.1 ECC is the administering authority for the Pension Fund and as such the Pensions Administration and Pension Fund Investment represent major systems in terms of financial control and reporting of the Council's activities.

4. 2017/18 Internal Audit Reviews

- 4.1 We undertook two reviews in accordance with the agreed Audit Plan:
- Pension Administration (Annex A) – Good Assurance
 - Pension Investment (Annex B) – Good Assurance
- 4.2 Both reviews received a '**Good Assurance**' opinion which means that at the time of our review there was a sound system of internal control. *It should be noted that this is the highest level of assurance.*
- 4.3 These opinions were a positive upward movement from the 2016/17 opinions which was assessed as 'Adequate Assurance'. The introduction of TCS and the delay in reporting functionality caused significant delays and difficulties in reconciling and posting Pension Fund financial information. These issues were mirrored across the organisation but did not however, undermine the overall integrity of the system of internal control audited in 2016/17.

5. National Fraud Initiative (NFI)

- 5.1 The NFI is the matching of electronically-held data between public and private sector bodies to prevent and detect fraud and error. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.
- 5.2 Responsibility for NFI has passed from the Audit Commission to the Cabinet Office. Data is submitted on an annual basis.
- 5.3 2017 NFI data matching exercise of specifically pensions-related data recently identified overpayments of £33,193 of which at this early stage £19,143 has been so far recovered. There are also a number of cases being reviewed.

6. 2018/19 Internal Audit Coverage

6.1 On 26 March 2018, the ECC Audit, Governance and Standards Committee approved the Internal Audit plan for 2018/19. The plan contains the following activity relating to Pensions:

- KFS Pension Investment
- KF9 Pensions Administration
- FS National Fraud Initiative

6.2 These audits are planned for Q4 2018/19.

6.3 The total charge to the Pensions Fund for this activity will be £22,500.

7. Link to Essex Pension Fund Objectives

7.1 Audit work assists the Fund in achieving a number of its objectives, including:

- to ensure that the Fund is properly managed
- to understand and monitor risk and compliance
- to deliver a high quality, informative and friendly service to all beneficiaries, potential beneficiaries and employers

8. Risk Implications

8.1 Audit work is a means of both identifying and mitigating risk.

9. Communication Implications

9.1 Other than ongoing reporting to the Board and ECC's Audit Committee, there are no communications implications.

10. Finance and Resources Implications



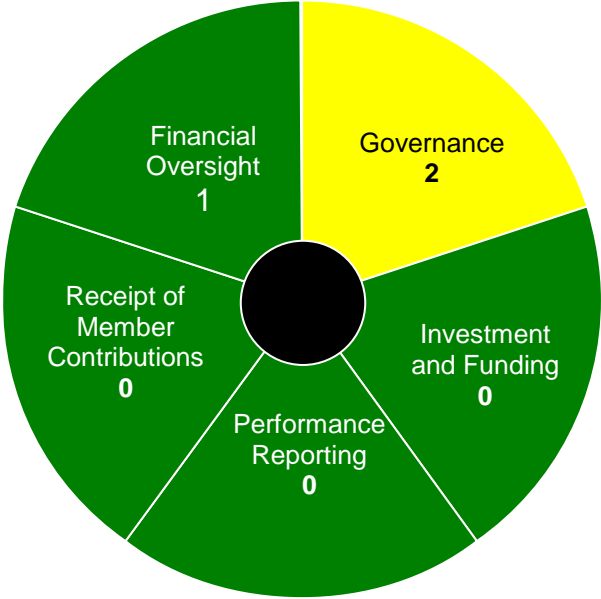




10.1 As highlighted at 6.2 the charge to the Fund in 2018/19 will be £22,500.




11. Background Papers

11.1 None.

Final Internal Audit Report 2017/18 – Pensions Investments (KF4)

1. Executive Summary





<p>Function: Corporate and Customer Services</p> <p>Audit Sponsor: Kevin McDonald, Director for Essex Pension Fund</p> <p>Distribution List: Kevin McDonald; Margaret Lee, Executive Director for Corporate and Customer Services; Jody Evans, Head of Essex Pension Fund; Sam Andrews, Investment Manager; Sara Maxey Employer Relationship Manager; Cllr. Louise McKinlay, Cabinet Member for Resources; Dan Cooke, Ernst & Young (External Audit)</p> <p>Final Report Issued: 01 May 2018</p> <p>Date of last review: June 2017</p>		<p>Overall Opinion</p> <p>GOOD ASSURANCE </p> <p>Direction of Travel</p> <p>The control environment has improved since previous audit </p>	<p>Number of Control Design Issues Identified</p> <p>0 Critical</p> <p>0 Major</p> <p>0 Moderate</p> <p>0 Low</p>	<p>Number of Control Operating in Practice Issues Identified</p> <p>0 Critical</p> <p>0 Major</p> <p>1 Moderate</p> <p>2 Low</p>	<p>Number of Recommendations</p> <p>3 Made</p> <p>0 Rejected</p> <p>N/A Critical Rejected</p> <p>N/A Major Rejected</p>
<p>Scope of the Review and Limitations:</p> <p>The audit examined the extent to which the risks relating to potential non-compliance with governance arrangements, investment and funding management, performance reporting, receipt of member contributions and financial oversight were being addressed, controlled and managed.</p> <p>A separate Pensions Administration audit has been carried out under assignment reference KF5 which assessed the controls to manage risks associated with processing fund starters, amendments and leavers, making payments and associated reconciliations, system access and security, business continuity, and management information on the administering of the fund.</p>					
<p>Executive summary comments</p> <p>There are no critical or major recommendations in this report.</p>		<p>Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:</p>  <ul style="list-style-type: none"> Critical priority Control Design or Control Operating in Practice issues identified Major priority Control Design or Control Operating in Practice issues identified Moderate priority Control Design or Control Operating in Practice issues identified No / Minor Control Design or Control Operating in Practice Issues identified			

Auditors: Tione Bowazi		Issues raised and officers responsible for implementation:						
Audit Manager: Greg Mortimer		Name	Critical	Major	Moderate	Low	Total	Agreed
Head of Assurance: Paula Clowes		Jody Evans, Head of Essex Pension Fund	0	0	1	1	2	2
Fieldwork Completed: 26 March 2018		Sam Andrews, Investment Manager	0	0	0	1	1	1
Draft Report Issued: 19 April 2018		Releasing Internal Audit Reports: All distributed draft and final reports remain the property of the respective Director and the Executive Director for Corporate Services. Approval for distributing this report should be sought from the relevant Director. Care must be taken to protect the control issues identified in this report.						
Management Comments Expected: 03 May 2018		Risk Management: The management of the following risks has been reviewed in this audit. Where appropriate, the Audit Sponsor is responsible for adding new risks identified to the relevant risk register						
Management Comments Received: 30 April 2018								
Final Report: 01 May 2018								
Risk Ref	Risk						Risk Already Identified	Risk Managed
Registered Risks Reviewed								
N/A	N/A						N/A	N/A
Unregistered Risks Identified & Audited								
N/A	Governance Board structures and memberships and roles and responsibilities are not in line with statutory and regulatory requirements causing less effective funding and investment decisions leading to an increasing deficit and otherwise avoidable increases in contributions and cause subsequent damage to the fund's and ECC's reputation. Incomplete or out of date declarations of interest of board members and key officers could cause a potential perception of compromised decision making or a lack of transparency which could damage the fund's and ECC's reputation. Insufficient knowledge and training of those governing and managing the fund could cause less effective funding and investment decisions leading to an increasing deficit and otherwise avoidable increases in contributions. Subsequent damage to the fund's and ECC's reputation.						N/A	
N/A	Investment and Funding The fund does not have up to date, approved, and aligned strategic documents setting out future funding and investment requirements leading to an increasing deficit requiring increases in contributions that could have been avoided. Subsequent damage to the fund's and ECC's reputation. The fund does not access independent expert advice to influence its investment and funding strategies leading to an increasing deficit requiring increases in contributions that could have been avoided and subsequent damage to the fund's and ECC's reputation. Allowable investment types / classes and any limits on such are not defined and the fund's investments are placed in unacceptable vehicles or at an unacceptable level of risk of loss or ultra vires therefore subsequent damage to the fund's and ECC's reputation. Significant amounts of employees leave the fund and or employers cease to exist without sufficient means to fulfil their future liabilities an increasing deficit requiring increases in contributions from remaining employers and employees.						N/A	
N/A	Performance reporting The performance of the fund's investments is not insightfully monitored and reported to allow any timely remedial action required. This can lead to An increasing deficit requiring increases in contributions that could have been avoided and subsequent damage to the fund's and ECC's reputation.						N/A	

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	Other measures of the effectiveness, efficiency and economy of the fund's administration and management of risk are not insightfully monitored and reported to allow any timely remedial action required therefore the fund's administrative overhead does not represent value for money and subsequent reputational damage to ECC as administering authority.		
N/A	Receipt of Contributions from Member Bodies Contributions from member bodies are not completely or accurately received or are not received in a timely manner causing negative cash flow issues for the fund and/or reduced sums available to invest.	N/A	●
N/A	Financial Oversight The fund managers' and custodians' records do not reconcile leading to unidentified and uncorrected errors could lead to a qualified external audit opinion on the fund's financial statements and subsequent damage to the fund's and ECC's reputation. The fund's financial system and its bank account(s) do not reconcile leading to unidentified and uncorrected errors could lead to a qualified external audit opinion on the fund's financial statements causing subsequent damage to the fund's and ECC's reputation <i>Please note the audit testing of the bank reconciliation is undertaken as part of the Oracle Integrated Assurance audit (KF1) but due to its importance to the Pensions Investments control environment it will also influence this report's opinion.</i>	N/A	●

2. Basis of our opinion and assurance statement

Risk rating	Assessment rationale
 Critical	<p>Critical and urgent in that failure to address the risk could lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Significant financial loss (through fraud, error, poor value for money) ▪ Serious safeguarding breach ▪ Life threatening or multiple serious injuries ▪ Catastrophic loss of service ▪ Failure of major projects ▪ Critical Information loss leading to Information Commissioner's Office (ICO) referral ▪ Reputational damage – Intense political and media scrutiny i.e. front-page headlines, television coverage. ▪ Possible criminal, or high profile, civil action against the Council, Members or officers. ▪ Intervention by external agencies <p>Remedial action must be taken immediately</p>
 Major	<p>Major in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ High financial loss (through fraud, error, poor value for money) ▪ Safeguarding breach ▪ Serious injuries or stressful experience requiring medical treatment, many work days lost. ▪ Significant disruption to service (Key outcomes missed, some services compromised. Management action required to overcome medium term difficulties) ▪ Major Information loss leading to internal investigation ▪ Reputational damage – Unfavourable external media coverage. Noticeable impact on public opinion. ▪ Scrutiny required by external agencies <p>Remedial action must be taken urgently</p>
 Moderate	<p>Moderate in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Medium financial loss (through fraud, error or poor value for money) ▪ Significant short-term disruption of non-core activities ▪ Scrutiny required by internal committees. ▪ Injuries or stress level requiring some medical treatment, potentially some work days lost ▪ Reputational damage – Probable limited unfavourable media coverage. <p>Prompt specific action should be taken</p>
 Low	<p>Low in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Low financial loss (through error or poor value for money) ▪ Minor errors in systems/operations or processes requiring action or minor delay without impact on overall service delivery schedule. Handled within normal day to day routines. ▪ Reputational damage – Internal review, unlikely to have a wider impact. <p>Remedial action is required</p>
Assurance Level	Description
Good	Good assurance – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be of Low risk rating. Any Moderate recommendations would need to be mitigated by significant strengths elsewhere.
Adequate	Adequate assurance – whilst there is basically a sound system of control, there are some areas of weakness, which may put the system/process objectives at risk. There are Moderate recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any Major recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
Limited	Limited assurance – there are significant weaknesses in key areas in the systems of control, which put the system/process objectives at risk. There are Major recommendations or a number of moderate recommendations indicating significant failings. Any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No	No assurance – internal controls are generally weak leaving the system/process open to significant error or abuse or reputational damage. There are Critical recommendations indicating major failings

Auditors' Responsibilities It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

3. Recommendations and Action Plan

	Matters Arising	Potential Risk Implications	Recommendations	Priority	Management Responses and Agreed Actions
Control Design – CMIS records					
1.	<p>During 2017/18 ECC's Democratic Services staff were responsible for publishing the Essex Pension Fund (EPF) agendas and minutes and maintaining the membership details on the CMIS system.</p> <p>Responsibility for creating and publishing all Essex Pension Fund agendas and minutes will transfer from Democratic Services to EPF staff in 2018/19.</p> <p>A review of CMIS noted a number of errors and omissions and late actions during the year. This included:</p> <ul style="list-style-type: none"> • a delay in publishing the Pension Advisory Board minutes for the meeting held in January 2018 • incorrect membership details were published for the Essex Pension Advisory Board including: <ul style="list-style-type: none"> ○ four names who were no longer members of the Board were showing as members ○ three current members of the Board were not included 	<p>Governance:</p> <p>Relevant information relating to the governance and business of the fund is not publically available in a timely manner and correct.</p>	<p>As Essex Pension Fund will be taking over publication of agendas and minutes of the Pension Boards from Democratic Services, a timetable should be produced for the publishing of agendas and minutes and updating membership details to ensure information is made publically available in required timescales and is correct.</p>	<p>●</p> <p>Moderate</p>	<p>Agreed: Yes</p> <p>Action to be taken: EPF are currently restructuring, a new role will be in place WEF 01 07 2018 and a timetable will be produced.</p> <p>Additional Resources Required for Implementation: new resource in place WEF July 2018</p> <p>Responsible Officer:</p> <p>Jody Evans, Head of Essex Pension Fund and Compliance Team -Essex Pension Fund</p> <p>Target Date: 31/7/2018</p>

	Matters Arising	Potential Risk Implications	Recommendations	Priority	Management Responses and Agreed Actions
	<p>on the membership details.</p> <p>Audit Note:</p> <p>ECC's Democratic Services were contacted and the errors have been confirmed as corrected on 23 March 2018.</p>				
Control Design – Training records					
2.	<p>A training log is maintained by EPF recording all relevant training and events attended by members of the Pension Boards during the year.</p> <p>The log for the financial year ending 31 March 2018 was reviewed and it was noted the substitute members for the boards were not included on the training log.</p> <p>Therefore it could not be verified that the substitutes have been attending the necessary training to assist in decision making at board meetings.</p>	<p>Governance:</p> <p>Insufficient knowledge and training of those governing and managing the fund to make the correct decisions.</p>	<p>The substitute members should be included on the training log to ensure that their training needs can be assessed and met.</p>	<p>●</p> <p>Low</p>	<p>Agreed: Yes</p> <p>Action to be taken: The new Compliance team will cover in July 2018.</p> <p>Additional Resources Required for Implementation: Yes</p> <p>Responsible Officer:</p> <p>Jody Evans, Head of Essex Pension Fund and Compliance Team – Essex Pension Fund</p> <p>Target Date: 31/7/2018</p>
Operating Effectiveness – Reconciliations					
3.	<p>The team prepare various reconciliations between the Fund's General Ledger and Custodian / Investment Fund managers' records and also its control accounts.</p> <p>The General Ledger records are</p>	<p>Financial Oversight:</p> <p>Discrepancies, fraud or error may not be identified and could lead to an external</p>	<p>The preparer of the reconciliations should take a screenshot of the General Ledger balance being reconciled and include it in the reconciliation pack to ensure there is prime evidence of the</p>	<p>●</p> <p>Low</p>	<p>Agreed: Yes</p> <p>Action to be taken: Confirmed in Place</p> <p>Additional Resources Required for</p>

	Matters Arising	Potential Risk Implications	Recommendations	Priority	Management Responses and Agreed Actions
	downloaded into Excel but there is no prime evidence within the reconciliation documents themselves to confirm the balance on the General Ledger and therefore confirm this agrees to the balance on the Custodian and Investment Fund record.	audit qualification on the Fund's financial statements.	General Ledger balance.		<p>Implementation: No</p> <p>Responsible Officer: Sam Andrews – Investment Manager</p> <p>Target Date: 30/4/2018</p>

4. Controls Assessment Schedule

Governance Arrangements risks:

Board structures and memberships and roles and responsibilities are not in line with statutory and regulatory requirements causing less effective funding and investment decisions leading to an increasing deficit and otherwise avoidable increases in contributions and therefore subsequent damage to the fund's and ECC's reputation

Incomplete or out of date declarations of interest of board members and key officers could cause a potential perception of compromised decision making or a lack of transparency which could damage the fund's and ECC's reputation.

Insufficient knowledge and training of those governing and managing the fund could cause less effective funding and investment decisions leading to an increasing deficit and otherwise avoidable increases in contributions therefore subsequent damage to the fund's and ECC's reputation.

Control	Control In Place?	Action Plan Ref.
The pension fund is supported by a formally constituted governance structure of the Pensions Strategy Board (PSB), Pensions Advisory Board (PAB) and the Investment Steering Committee (ISC). The governance structure is in line with relevant legislation and regulation.	Yes	
The governance boards and committee have documented and recently approved terms of reference clearly setting out roles, responsibilities and delegated responsibilities and powers. Including emergency decision making powers if and when decisions outside the usual governance / meeting timetable needs to be made	Yes Yes	
The pension fund has a governance policy which is regularly reviewed and approved.	Yes	
Updates on the activities of the PAB and ISC are reported to PSB to ensure it has oversight of their activity and operation.	Yes	
Board and committee meeting minutes and papers are produced and promptly made publicly available.	Partially	1
The fund has annual and three-year Business plans. Progress in delivering the plans is regularly reported to the PSB.	Yes	
The work of the pension fund is supported by external investment consultants and an independent advisor on governance and administration matters.	Yes	
The PSB and PAB has assessed its effectiveness of operation, identifying areas for further improvement where needed	Yes	
Board and committee member training needs are identified based on the CIPFA Knowledge and Skills Framework Training delivered is logged and reported through the regular performance scorecard report highlighting any gaps in training	Partially	2
Pension staff's training requirements identified and performance managed through the Essex Supporting Success process.	Yes	

Control	Control In Place?	Action Plan Ref.
Declarations of interests are made at each meeting.	Yes	
Standing Declarations of interest have been completed and kept up to date.	Yes	

Investment and Funding risks:

The fund does not have up to date, approved, and aligned strategic documents setting out future funding and investment requirements leading to an increasing deficit requiring increases in contributions that could have been avoided therefore subsequent damage to the fund's and ECC's reputation.

The fund does not access independent expert advice to influence its investment and funding strategies leading to an increasing deficit requiring increases in contributions that could have been avoided therefore subsequent damage to the fund's and ECC's reputation.

Allowable investment types / classes and any limits on such are not defined and the fund's investments are placed in unacceptable vehicles or at an unacceptable level of risk of loss or ultra vires therefore subsequent damage to the fund's and ECC's reputation.

Significant amounts of employees leave the fund and or employers cease to exist without sufficient means to fulfil their future liabilities an increasing deficit requiring increases in contributions from remaining employers and employees.

Control	Control In Place?	Action Plan Ref.
An Investment Strategy Statement (ISS) has been developed in the required timescale as required by regulations to replace the Statement of Investment Principles.	Yes	
The ISS references to and is consistent with the objectives and approach articulated in the Funding Strategy Statement.	Yes	
The ISS has been produced taking advice from the fund's Institutional Consultant and its independent Investment Adviser.	Yes	
An Actuarial Valuation report has been received from the fund actuary. The results of the valuation results were consulted on with employers.	Yes in 2017	
A Funding Strategy Statement (FFS) has been produced and agreed as required by regulation which sets out how the fund's liabilities will be met in future based on the latest valuation of the fund. The FSS was consulted on with employers. The FSS references to and is consistent with the objectives and approach articulated in the ISS	Yes	
The ISS define the asset classes and types of investment in which investment managers are allowed to invest, the allocation to investment each manager and any restrictions on investments.	Yes	
There is a regular programme of reviews and studies of assets and liabilities by the Independent Investment Advisor to inform the work of the ISC. Reports are presented to the ISC	Yes	
The fund receives expert advice on market outlook etc. from Independent Investment Advisor. Officers and advisors discuss market issues and the	Yes	

Control	Control In Place?	Action Plan Ref.
outcomes of the meetings are presented to the ISC.		
Investment management-related (and funding-related) risks, and how they are to be managed, are captured in the fund's risk register. The risk register is regularly reported to the PSB.	Yes	
A cash flow statement is produced and managed to maintain sufficient liquidity to ensure the fund can meet its liabilities as they become due. <i>The cash flow statement is developed as maintained by Essex County Council Financial Services staff who provide Treasury Management services for short-term in-house cash through a service level agreement. The 2017/18 audit of Treasury Management did not identify any issues with the management of the cash flow statement.</i>	Yes	
There is an agreed Treasury Management Policy and Strategy for the fund setting out the approach to managing short-term in-house cash, cash held and managed by the custodian and the realising of investment income.	Yes	
There is a scheme of delegation in place and investment decisions have been made in accordance with delegated authority.	Yes	
There is a process in place to monitor funds due from maturing investments to ensure they are received on time.	Yes	

Monitoring and reporting of Performance risks

The performance of the fund's investments is not insightfully monitored and reported to allow any timely remedial action required.

Other measures of the effectiveness, efficiency and economy of the fund's administration and management of risk are not insightfully monitored and reported to allow any timely remedial action required.

Control	Control In Place?	Action Plan Ref.
A comprehensive, balanced performance scorecard is regularly reported to the PSB setting out the fund's performance in regard to governance, investments, funding, administration, and communications.	Yes	
A risk register is regularly reported to the PSB setting out the risks to effective governance, investment risk, funding risk, administration risk, and communications risk and how these risks will be managed. The risk register regularly assesses and reports whether such risks are being effectively managed.	Yes	
Benchmarking of the comparative cost of administering the fund and returns are regularly measured and reported as part of the performance scorecard.	Yes	
An annual report on the operation and outcome of the fund's activity is published	Yes	
The ISC review the performance of each investment fund manager quarterly against set targets on returns. Remedial action is taken action required.	Yes	

Control	Control In Place?	Action Plan Ref.
Officers and advisors discuss any key issues and the outcomes of the meetings are presented to the ISC.	Yes	

Receipt of Contributions from Member Bodies risks

Contributions from member bodies are not completely or accurately received or are not received in a timely manner causing negative cash flow issues for the fund and/or reduced sums available to invest.

Control	Control In Place?	Action Plan Ref.
There is a communication policy in place to manage the relationship with members and employers.	Yes	
Year-end data from employers is validated prior to upload to the pensions system to ensure accuracy and completeness of data There is a scheme of penalty charges for late and inaccurate data.	Yes	
There is ongoing tracking of monthly contributions received from member bodies to identify late and or incorrect amounts received.	Yes	
Outstanding contributions are chased up with the relevant member body.	Yes	
There is an annual reconciliation of contributions due and received to ensure there is an accurate picture of over or underpayments.	Yes	

Financial Oversight

The fund managers' and custodians' records do not reconcile leading to unidentified and uncorrected errors could lead to a qualified external audit opinion on the fund's financial statements and subsequent damage to the fund's and ECC's reputation.

The fund's financial system and its bank account(s) do not reconcile leading to unidentified and uncorrected errors could lead to a qualified external audit opinion on the fund's financial statements and subsequent damage to the fund's and ECC's reputation

Please note as the bank reconciliation is completed by the ECC Cashiers team, the audit testing of the bank reconciliation is undertaken as part of the Oracle Integrated Assurance audit (KF1). Due to its importance to the Pensions Investments control environment it also influences this report's opinion.

Please note that the controls and any issues arising relate to the overall processes to all bank account reconciliations completed by ECC. The issues below are not specific to the pension fund-related reconciliation. The reconciliations section of the TCS audit did not confirm any loss or error related to the pension fund bank account.

Control	Control In Place?	Action Plan Ref.
A process is in place to ensure that reconciliations of Investment Manager records and Custodian records (of bond and equity mandates) are completed monthly and in a timely manner. Page 71 of 132	Yes	

Control	Control In Place?	Action Plan Ref.
The reconciliations are independently reviewed and signed off.		
There is a six monthly reconciliation of the Custodian records to the EPF General Ledger to ensure assets are correctly accounted for as well as income and expenditure items.	Partially	3
Bank reconciliations are completed promptly and regularly so that fraudulent transactions or errors are identified and managed in a timely way <i>(Note this is an ECC completed process)</i>	Partially	Separate recommendation also raised in TCS (Reconciliations) report
There is oversight of whether bank reconciliations have been completed to ensure required action is completed accurately and on a timely basis <i>(Note this is an ECC completed process)</i>	Partially	Separate recommendation also raised in TCS (Reconciliations) report
There is effective communication between finance teams and cashiers to ensure outstanding items are resolved promptly and that errors and fraudulent transactions are identified in a timely way.	Yes	

Final Internal Audit Report 2017/18 – Pensions Services & Administration (KF5)





1. Executive Summary

<p>Function: Corporate and Customer Services</p> <p>Audit Sponsor: Kevin McDonald, Director for Essex Pension Fund</p> <p>Distribution List: Kevin McDonald, Margaret Lee, Executive Director for Corporate and Customer Services; Jody Evans, Head of Essex Pension Fund; Kelly Armstrong and Daniel Chessell, Team Managers, Pensions; Chris Pickford, Pensions Systems Manager; Cllr. McKinlay, Cabinet member for Resources; Dan Cooke, External Audit</p> <p>Final Report Issued: May 2018</p> <p>Date of last review: June 2017</p>		<p>Overall Opinion</p> <p>GOOD ASSURANCE</p> <p>Direction of Travel</p> <p>The Control environment has improved since our prior audit</p>	<p>Number of Control Design Issues Identified</p> <p>0 Critical</p> <p>0 Major</p> <p>0 Moderate</p> <p>0 Low</p>	<p>Number of Control Operating in Practice Issues Identified</p> <p>0 Critical</p> <p>0 Major</p> <p>0 Moderate</p> <p>0 Low</p>	<p>Number of Recommendations</p> <p>0 Made</p> <p>0 Rejected</p> <p>N/A Critical Rejected</p> <p>N/A Major Rejected</p>
<p>Scope of the Review and Limitations:</p>	<p>This audit focused on the strength of the control environment in relation to the key functionality of the administration of on-going pension processes and pension payments during 2017/18. The management and controls surrounding the Essex Pension Fund bank reconciliation were out of scope of this audit, these areas are being reviewed as part of the Pensions Investment audit (KF4).</p>				
<p>Executive summary comments</p> <p>There are no critical or major recommendations.</p>		<p>Each risk area for this review is shown as a segment of the wheel. The key to the colours on the wheel is as follows:</p> <ul style="list-style-type: none">Critical priority Control Design or Control Operating in Practice issues identifiedMajor priority Control Design or Control Operating in Practice issues identifiedModerate priority Control Design or Control Operating in Practice issues identifiedNo / Minor Control Design or Control Operating in Practice Issues identified			

Auditors: Anita Goold Audit Manager: Greg Mortimer Fieldwork Completed: 26 March 2018 Draft Report Issued: 19 April 2018 Management Comments Expected: 03 May 2018 Management Comments Received: 30 April 2018 Final Report: 02 May 2018		Issues raised and officers responsible for implementation:							
		Name		Critical	Major	Moderate	Low	Total	Agreed
		N/A		0	0	0	0	0	N/A
		Releasing Internal Audit Reports: All distributed draft and final reports remain the property of the respective Director and the Executive Director for Corporate Services. Approval for distributing this report should be sought from the relevant Director. Care must be taken to protect the control issues identified in this report. Risk Management: The management of the following risks has been reviewed in this audit. Where appropriate, the Audit Sponsor is responsible for adding new risks identified to the relevant risk register.							
Risk Ref	Risk						Risk Already Identified	Risk Managed	
Registered Risks Reviewed									
N/A	N/A						N/A	N/A	
Unregistered Risks Identified & Audited									
N/A	New Scheme Members: New scheme members (including transfers in) added to the pension system are not appropriately authorised and supported by valid evidence New scheme members are not processed promptly, completely and accurately in accordance with scheme rules						N/A	●	
N/A	Maintenance of records - life events: Updates to scheme members' pension system records (including transfers out, retirement, death, deferred membership and changes to working hours, salary and contributions) are not appropriately authorised and supported by valid evidence Updates are not processed promptly, completely and accurately in accordance with scheme rules which could result in incorrect pension calculations.						N/A	●	
N/A	Payments: Proposed payments (e.g. regular pension payments, lump sums and transfers out) are not checked and appropriately authorised before being made which could lead to inaccurate, in valid or incomplete payments						N/A	●	
N/A	Annual Benefit Statements Annual Benefit Statements are sent to members are inaccurate and or not all members receive an Annual Benefit Statement by the statutory date of 31 August <i>Note – given the proposed timing of this audit, this audit will assess whether there were sufficient and effective controls to ensure the 2016 Annual Benefit Statements were accurate and complete and whether there are robust plans to ensure likewise for 2017</i>						N/A	●	
N/A	Systems Access and Configuration: The pension system does not enforce separation of duty between processing and approving actions The pension system's workflow does not direct approval requests to a suitable manager Delays in processing and or approving actions are not promptly identified and resolved Changes to the pension system's configuration (e.g. of parameters or how actions are to be processed) are not approved and confirmed as working correctly before release to the live system Enhanced system privileges (including the ability to change the pension system's configuration, add or remove users and amend users ' permissions) are not appropriately restricted or are out of date Access to pension fund data is not restricted based on current operational need resulting in loss or inappropriate access to sensitive personal information.						N/A	●	

Unregistered Risks Identified & Audited			
N/A	Business Continuity: Business continuity and disaster recovery plans to deal with the loss of access to the pension system are not in place or have not been tested to confirm their effectiveness.	N/A	●
N/A	Systems reconciliation The ECC General Ledger does not completely or accurately reflect pensions-related payments made or the assets and liabilities of the pension fund which could result in inaccurate financial reporting of the fund	N/A	●
N/A	Management information The timeliness and accuracy of processing pension-related instructions is not measured and actively reviewed by Pensions management to introduce any remedial action or improvements needed which could result in non, late or inaccurate pension payments and reputational damage	N/A	●

2. Basis of our opinion and assurance statement

Risk rating	Assessment rationale
 Critical	<p>Critical and urgent in that failure to address the risk could lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Significant financial loss (through fraud, error, poor value for money) ▪ Serious safeguarding breach ▪ Life threatening or multiple serious injuries ▪ Catastrophic loss of service ▪ Failure of major projects ▪ Critical Information loss leading to Information Commissioner's Office (ICO) referral ▪ Reputational damage – Intense political and media scrutiny i.e. front-page headlines, television coverage. ▪ Possible criminal, or high profile, civil action against the Council, Members or officers. ▪ Intervention by external agencies <p>Remedial action must be taken immediately</p>
 Major	<p>Major in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ High financial loss (through fraud, error, poor value for money) ▪ Safeguarding breach ▪ Serious injuries or stressful experience requiring medical treatment, many work days lost. ▪ Significant disruption to service (Key outcomes missed, some services compromised. Management action required to overcome medium term difficulties) ▪ Major Information loss leading to internal investigation ▪ Reputational damage – Unfavourable external media coverage. Noticeable impact on public opinion. ▪ Scrutiny required by external agencies <p>Remedial action must be taken urgently</p>
 Moderate	<p>Moderate in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Medium financial loss (through fraud, error or poor value for money) ▪ Significant short-term disruption of non-core activities ▪ Scrutiny required by internal committees. ▪ Injuries or stress level requiring some medical treatment, potentially some work days lost ▪ Reputational damage – Probable limited unfavourable media coverage. <p>Prompt specific action should be taken</p>
 Low	<p>Low in that failure to address the issue or progress the work would lead to one or more of the following occurring:</p> <ul style="list-style-type: none"> ▪ Low financial loss (through error or poor value for money) ▪ Minor errors in systems/operations or processes requiring action or minor delay without impact on overall service delivery schedule. Handled within normal day to day routines. ▪ Reputational damage – Internal review, unlikely to have a wider impact. <p>Remedial action is required</p>
Assurance Level	Description
Good	Good assurance – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be of Low risk rating. Any Moderate recommendations would need to be mitigated by significant strengths elsewhere.
Adequate	Adequate assurance – whilst there is basically a sound system of control, there are some areas of weakness, which may put the system/process objectives at risk. There are Moderate recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any Major recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
Limited	Limited assurance – there are significant weaknesses in key areas in the systems of control, which put the system/process objectives at risk. There are Major recommendations or a number of moderate recommendations indicating significant failings. Any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No	No assurance – internal controls are generally weak leaving the system/process open to significant error or abuse or reputational damage. There are Critical recommendations indicating major failings

Auditors' Responsibilities It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

3. Controls Assessment Schedule

New Scheme Members Risks:

New scheme members (including transfers in) added to the pension system are not appropriately authorised and supported by valid evidence

New scheme members are not processed promptly, completely and accurately in accordance with scheme rules

Control	Control In Place?	Action Plan Ref.
Procedure notes describing all key processes are complete and adhered to by all Pensions Service Administration staff	Yes	
Clearly defined processes are in place to authorise and admit new starters and these are complied with. New scheme members are entered onto Civica UPM accurately and receive a notification of membership in a timely manner.	Yes	
The spreadsheets received from the admitted bodies are complete and sense checked prior to input into Civica UPM to ensure all data has been transferred accurately.	Yes	
Documentation received and completed for individuals transferring into the Essex Pension Fund is recorded on the system and retained securely. All quotations, calculations, notifications to scheme members and payments are checked by management.	Yes	

Maintenance of records - life events risks:

Updates to scheme members' pension system records (including transfers out, retirement, death, deferred membership and changes to working hours, salary and contributions) are not appropriately authorised and supported by valid evidence

Updates are not processed promptly, completely and accurately in accordance with scheme rules which could result in incorrect pension calculations.

Control	Control In Place?	Action Plan Ref.
Procedure notes describing all key processes are complete and adhered to by all Pensions Service Administration staff.	Yes	
Transfers out have been calculated in accordance with scheme rules, approved by an authorised manager and all documentation retained securely.	Yes	
Deferred membership pensions are independently checked and deactivated from the UPM system. All documentation is securely retained.	Yes	
There is a clearly defined process in place for admitting new retirees onto the Payroll system. This process includes ensuring appropriate authorisation, processing and accurate recording of data in accordance with scheme rules. All documentation is securely retained	Yes	
Documentation is received and retained on notification of death in accordance with regulations. All related documentation is securely retained.	Yes	
Notification of deaths are received and actioned promptly (management oversight) Pension on death calculations are produced from UPM and checked for accuracy by an appropriate manager prior to payment.	Yes	
Amendments to payroll data (e.g. bank account details) are in writing and promptly recorded and authorised by management.	Yes	

Control	Control In Place?	Action Plan Ref.
Amendment reports are produced and checked before the BACS file is sent for payment.	Yes	

Payments risks:

Proposed payments (e.g. regular pension payments, lump sums and transfers out) are not checked and appropriately authorised before being made which could lead to inaccurate, in valid or incomplete payments

Control	Control In Place?	Action Plan Ref.
Payments (payroll) are independently checked, correctly authorised, supported by appropriate documentation and calculations have been verified prior to authorisation.	Yes	
The Essex Pension Fund Control Accounts (payroll) are reconciled monthly and appropriate management authorisation is evidenced	Yes	
Payments (transfers out) are independently checked, correctly authorised, supported by appropriate documentation and calculations have been verified prior to authorisation.	Yes	
Lump sum payments are accurate and authorised by appropriate management in accordance with the scheme regulations.	Yes	
Any overpayments which are identified are recovered in accordance with set policy. All documentation is securely retained.	Yes	

Annual Benefit Statements risks:

Annual Benefit Statements are sent to members are inaccurate and or not all members receive an Annual Benefit Statement by the statutory date of 31 August

Note – given the proposed timing of this audit, this audit will assess whether there were sufficient and effective controls to ensure the 2016 Annual Benefit Statements were accurate and complete and whether there are robust plans to ensure likewise for 2017

Control	Control In Place?	Action Plan Ref.
Annual Benefit Statements have been sent to members by the statutory date 31 August.	Yes	

Systems Access and Configuration Risks:

The pension system does not enforce separation of duty between processing and approving actions

The pension system's workflow does not direct approval requests to a suitable manager

Delays in processing and or approving actions are not promptly identified and resolved

Changes to the pension system's configuration (e.g. of parameters or how actions are to be processed) are not approved and confirmed as working correctly before release to the live system

Enhanced system privileges (including the ability to change the pension system's configuration, add or remove users and amend users 'permissions) are not appropriately restricted or are out of date

Access to pension fund data is not restricted based on current operational need resulting in loss or inappropriate access to sensitive personal information.

Control	Control In Place?	Action Plan Ref.
Access permissions and restrictions are in line with Business need and there is appropriate separation of duty. Robust controls exist for the administration of passwords, password changes and account lockout following failed attempts.	Yes	
The pension system enforces separation of duty between processing and approving actions.	Yes	
The pension system's workflow directs approval requests to a suitable manager.	Yes	
Delays in processing and or approving actions are not promptly identified and resolved.	Yes	
Changes to the pension system's configuration (e.g. of parameters or how actions are to be processed) are not approved and confirmed as working correctly before release to the live system.	Yes	

Business Continuity Risks:

Business continuity and disaster recovery plans to deal with the loss of access to the pension system are not in place or have not been tested to confirm their effectiveness.

Control	Control In Place?	Action Plan Ref.
Business continuity / disaster recovery plans are in place if critical systems are unavailable and these are tested regularly.	Yes	
Regular back-up of core data is undertaken and tested to ensure adequate recovery processes are in place.	Yes	

System Reconciliation Risks:

The ECC General Ledger does not completely or accurately reflect pensions-related payments made or the assets and liabilities of the pension fund which could result in inaccurate financial reporting of the fund

Control	Control In Place?	Action Plan Ref.
Regular reconciliation between the general ledger and the UPM pension system is completed and approved. Prompt and effective investigation is undertaken if there are any discrepancies.	Yes	

Management Information Risks:

The timeliness and accuracy of processing pension-related instructions is not measured and actively reviewed by Pensions management to introduce any remedial action or improvements needed which could result in non, late or inaccurate pension payments and reputational damage.

Control	Control In Place?	Action Plan Ref.
Management information is provided on a regular basis identifying compliments and complaints and also providing information on poor performance.	Yes	
Where complaints or poor performance is identified there is a process in place to address these to a satisfactory outcome.	Yes	

Essex Pension Fund Strategy Board	PSB 06
Date: 12 September 2018	

Update on Pension Fund Activity

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

1. Purpose of the Report

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

- 2018/19 business plan;
- three year business plan;
- risk management; and
- scorecard.

2. Recommendations

2.1 That the Board notes:

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

3. Background

3.1 The following documents accompany this report:

- an update on the 2018/19 business plan at Annex A(i);
- the 3 year business plan at Annex A(ii);
- risks with a residual score of six or above are detailed at Annex B;
- the full scorecard is attached at Annex C.

4. Related matters subject to separate agenda items

4.1 Matters subject to separate agenda items include:

- quarterly report from Investment Steering Committee.

5. Business Plan 2018/19

5.1 The revised objectives agreed at the March PSB have been incorporated within the business plan shown at Annex A (i). Of the 20 actions for 2018/19:

- 4 (20%) has been completed;
- 13 (65%) are in progress of which 3 (15%) are subject to items elsewhere on this agenda;
- 3 (15%) are scheduled to commence later in the year.

6. 3 year Business Plan

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

7. Risk Register

7.1 There are currently 83 risks in the Fund's risk register of which 14 have a residual score of six or more (amber) and are shown at Annex B.

7.2 As highlighted elsewhere on this agenda, a review of risks is currently underway.

8. Scorecard

8.1 The scorecard is shown at Annex C.

- 8.2 Measure 3.6.1 highlights potentially unrecoverable deficit. As advised during the 4 July PSB, Castle Point Citizens' Advice Bureau (CPCAB) formally went into liquidation 26 April 2018. The Actuary's cessation report indicates that the amounts owed to the fund are £39k. Papers in support of the Fund's claim have been sent to the liquidators. The liquidators are still to finish their assessment and therefore this is currently on-going.
- 8.3 Measure 4.2.1 highlights a minor breach during the dispatch of balance of pension notifications. This was caused by a manual error where two notifications were put into one envelope. The incident was reported as a security incident under GDPR, correct letters re-issued and letters advising members of our breach have also been issued.
- 8.4 Measure 4.3.2 provides details whereby 99.3% of Employers submitted timely payments.

9. Award Nominations

- 9.1 The *Local Authority Pension Fund* awards take place next month, and the Essex Pension Fund has been shortlisted in the following categories:
- i. Fund of the Year
 - ii. Scheme Administration
 - iii. Scheme Governance
 - iv. Private Markets
- 9.2 ACCESS has also been shortlisted in the *Pool of the Year* category. Further details at the website:

<https://www.lapfinvestmentsawards.com/2018-shortlist/2018-lgps-finalists/>

10. Link to Essex Pension Fund Objectives

- 10.1 Monitoring Pension Fund activity via the business plan, risks and scorecard assists the Fund in achieving all of its objectives, and in particular:
- Provide a high quality service whilst maintaining value for money;
 - Understand and monitor risk and compliance;
 - Continually measure and monitor success against our objectives.

11. Risk Implications

11.1 Key risks are identified at Annex B.

12. Communication Implications

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

13. Finance and Resources Implications

13.1 The business plan for 2018/19 is challenging and will require significant input by officers and advisers to bring some of the actions to conclusion. The revised staffing structure is expected to be implemented with all newly recruited personnel in post by end September 2018.

14. Background Papers

14.1 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 August 2018
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.
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	In progress – Training continues on 12 September PSB meeting including a session on Pooling and a discussion around the knowledge and skills framework.

Action	How will this be achieved?	Officer managing action*	Progress as at end August 2018
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	In progress – Revised Terms of References highlighted in this review will be forwarded to full council.
4. Annual review of Pension Fund Board	Review the effectiveness of the Pension Fund Board and the services supplied to it	DfEPF, HoEPF & IGAA	Members will be canvassed for their views on the PSB's effectiveness during 2018/19.

Investments

Objectives:

- To maximise the returns from investments within reasonable risk parameters
- To ensure the Fund'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 August 2018
5. 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.
6. 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.
7. To review investment management fees	Ensure that fee monitoring arrangements form part of the annual review of performance.	DfEPF	A review is scheduled for 2018/19. The Fund will participate in CEM cost and performance benchmarking during 2018.

Action	How will this be achieved?	Officer managing action*	Progress as at August 2018
8. 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: http://www.essexpensionfund.co.uk/media/2970/investment-strategy-statement-2017.pdf</p>	DfEPF	<p>In progress –</p> <p>The ISS will be kept under review.</p>
9. 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>

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 August 2018
10. 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
11. 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
12. Employer participation	Employer participation and membership of the Essex Pension Fund will be monitored on an on-going basis.	HoEPF & DfEPF	Employer participation will continue to be reviewed during 2018/2019.

Administration

Objectives:

- Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
- Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount
- Data is protected to ensure security and authorised use only
- 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 August 2018
13. Complete the annual end of year data exercise as at 31 March	Complete year end accounting, gather information from employer and update UPM, and produce annual benefit statements.	HoEPF	<p>In progress –</p> <p>Data has been received and processed from 649 employers and Annual Benefit Statements were sent to active members in August 2018.</p> <p>A report on the year end data collection exercise is included elsewhere on this agenda.</p>
14. Administration Strategy	The Administration Strategy will be monitored annually.	HoEPF	The consultation of the revised Admin Strategy commences in September/October.

Action	How will this be achieved?	Officer managing action*	Progress as at August 2018
15. Implementation of UPM (administration system)	Ongoing phased implementation will continue through 2018/2019.	HoEPF	<p>To date 18,000 individual scheme members have been invited to use “<i>Member online</i>” of whom 7,500 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>
16. Review of staffing structure	A review is scheduled to complete during 2018/19.	DfEPF & HoEPF	Complete
17. 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>The project will continue in 2018/19.</p> <p>Updates on the project’s completion date will be brought to future PSB meetings.</p>

Action	How will this be achieved?	Officer managing action*	Progress as at August 2018
18. 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.</p> <p>Further Staff Training.</p> <p>Data Scoring.</p>

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 July 2018
19. Monitor Communications Policy	The communications policy will be reviewed during 2017/2018	HoEPF	A review of the communications policy will be held in 2018/19 after the new staffing structure has commenced.
20. 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. Specific communications are planned for the end of 2018 in line with HMRC.

Officer Managing Action

DoEPF - Director for Essex Pension Fund

HoEPF - Head of Essex Pension Fund

IGAA - Independent Governance & Administration Adviser

Essex Pension Fund Strategy Board

3 Year Business Plan

April 2018 to March 2021

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

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

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.
Governance	Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times	G12	Insufficient staff causes failure to free up time to look for other best practice areas then opportunities may be missed		2	3	6	6	Kevin McDonald / Jody Evans	The interviews for the posts in the re-structure have been completed. The new structure will officially launch during September 2018.
Investments	To maximise the returns from investments within reasonable risk parameters	I1	If investment return is below that assumed by the Actuary in funding the plan this could lead to an increasing deficit and additional contribution requirements. The larger the level of mismatch between assets and liabilities the bigger this risk.		3	3	9	9	Kevin McDonald	Diversified portfolio; Annual Strategy Review; Asset Liability Study, extended recovery periods to smooth contribution increases.
Investments	To ensure the Fund is properly managed	I16	The implementation of MiFID II (January 2018) leads to the Fund being categorised by some / all of its service providers as a 'retail client' - the result of which could reduce the range of sub asset classes in which the Fund is able to invest, and may even require divestment from the current portfolio.		3	2	6	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 the UPM 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	3	9	9	Kevin McDonald / Jody Evans	The interviews for the posts in the re-structure have been completed. The new structure will officially launch during September 2018.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A17	Failure to administer scheme in line with Regulations and policies - Brewster test case in Northern Ireland re: surviving co-habiting partners with no nomination for surviving partners pension. In Essex, a parallel case - the first in English Law - was brought by Ms Elmes against Essex CC in its capacity as administering authority for the Essex Pension Fund.		3	2	6	6	Jody Evans	In January 2018, in a ruling establishing precedent across the LGPS in England & Wales, and following a common submission from both claimant & defence counsels, Mr Justice Walker ordered that the requirements for a nomination under Regulation 24 & 25 of the LGPS Regulations 2007 were incompatible with article 1 of the European Convention of Human Rights and must therefore be disapplied.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A18	Unable to meet Actuarial Valuation deadlines or produce Annual Benefit Statements for active Scheme Members in line with Regulatory deadlines due to lack or late provision of data from employers		4	2	8	8	Jody Evans	2017/18 exercise will commence with communications regarding a timetable, requirements and spreadsheet to employers along with encouragement to employers to engage with Fund Officers.
Communications	Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	C1	Increase in enquiries from Scheme Member resulting in increased workload for Fund officers		2	3	6	6	Kevin McDonald / Jody Evans	Whilst the volume of phone enquiries stemming from Freedoms & Flexibilities (for DC schemes) has now reduced, a number of detailed discussions on individual cases remain and represent a significant workload.

Essex Pension Fund Scorecard - April to June 2018

1. GOVERNANCE

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

5

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

3

1.3 - Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times. Continually measure and monitor success against our objectives.

1

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

4

1.5 - Understand and monitor risk and compliance

5

2. INVESTMENTS

2.1 - Maximise returns from investments within reasonable risk parameters

4

1

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

1

1

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

5

3. FUNDING

3.1 - Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters and Funding Strategy timescales

1

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

2

3.3 - To have consistency between Investment and Funding strategies

2

3.4 - To manage employers liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives.

1

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

1

3.6 - Minimise unrecoverable debt on termination of employer participation

1

1

4. ADMINISTRATION

4.1A - 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

1

1

4.3 - Ensure proper administration of financial affairs

1

1

4.4 - Compliance with Fund's governance arrangements

5

5. COMMUNICATIONS

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

4

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

2

5

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

1

1

Key

G

= on or exceeding target

Gy

= data not currently available / work in progress

A

= missing target but within agreed tolerance

R

= missing target by more than agreed tolerance

1.1 - Provide a high quality service whilst maintaining value

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

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

Measure Owner: Jody Evans

Data lead: David Tucker and Kelly Armstrong

Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.1.1 Cost per scheme member	1st	quartile	G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Dec)
1.1.2 Number of scheme member complaints	2		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	99.8%	%	G	G	95%	95%	High	Annual (Dec)
1.1.5 Employer survey - % of positive answers	97.2%	%	G	G	95%	95%	High	Annual (Dec)

Rationale for performance status and trend

1.1.1. Cost per member was £15.71 in 2016/17 compared to the CIPFA Benchmarking average of £20.14. Benchmarking for 2017/18 has commenced as of August 2018. This update will be provided in December 2018.
1.1.2. The number of complaints received in the 3 months to 30 June 2018 was 2.
1.1.3. The number of compliments received in the 3 months to 30 June 2018 was 19.
1.1.4. 500 scheme members (employees) were invited to participate in a seven question survey conducted in April 2017. 122 members returned completed survey's resulting in a total of 1,586 answers, of which 11 were negative responses. The remaining 1575 (99.3%) were positive. The previous survey has a 97.8% positive responses. . Benchmarking for 2017/18 has commenced as of August 2018. This update will be provided in December 2018.
1.1.5. 496 employers (378 employers in 2015) were invited to participate in a 12 question (10 questions in 2015) survey conducted in June 2017. Of 154 responses 4 were negative which resulted in a 97.2% positive response rate. The previous survey has a 95.2% positive response. . Benchmarking for 2017/18 has commenced as of August 2018. This update will be provided in December 2018.

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	Target exceeded		G	G	90%	90%	High	Quarterly
1.2.2 Board Member attendance at Board meetings	0%	%	G	G	0%	80%	High	Quarterly
1.2.3 Officer training plans and Supporting Success objectives in place	100%	%	G	G	100%	100%	High	Ongoing

Rationale for performance status and trend

1.2.1 In the measurement period Board Members' training credits exceeded the 90% target.

1.2.2 There were no PSB meetings during Qtr 1.

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 roled out by ECC.

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	20% Complete 65% in progress	A	A	30% Complete, 50% in progress	100% complete	High	Quarterly

Rationale for performance status and trend

1.3.1 Against a total of 20 actions or projects for the year:

4 (20%) has been completed;
13 (65%) are in progress of which 6 (25%) are subject to items elsewhere on this agenda
3 (15%) are scheduled to commence later in the year.

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

1.4 - Act with integrity and be accountable to our stakeholders

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

Scope: Formal complaints against Board Members relating to their role as member of the 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.	Yes		G	G	Yes	High	Quarterly

Rationale for performance status and trend

1.4.1 Reflects performance over the last 12 months.

1.4.2 Reflects performance over the last 12 months.

1.4.3 There are currently no vacancies on the Pension Advisory Board.
Yes = green; No = red.

1.4.4 There are currently no vacancies on the Pension Advisory Board.

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	17	%	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 2016/2017 internal audit reports. The 2017/18 internal audit reports will be reported to the Board's September meeting.

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

1.5.3 The Fund currently has 83 risks in its register, of which 14 have a residual score that is classified as amber (14 in June 18). Full details are at Annex B to this report. Measurement: below 20% = green; between 20%-25% = amber; above 25% = red

1.5.4 The Fund currently has 83 risks in its register, none of which has a proposed residual score that is classified as red. (0 in June 18). Measurement: 0% = green; above 0% = red

1.5.5 There are no significant recommendations for Members to note in the 2016/17 Annual Results Report from EY. The 2017/18 external audit reports will be reported to the Board's September 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	TBC	ranking	Gy	Gy	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. 2017/18 peer group data is not yet available.

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	58	%	A	A	80%	80%	High	Quarterly
2.2.2 ISC Members training	Target exceeded		G	G	90%	90%	High	Quarterly

Rationale for performance status and trend

2.2.1 . This represents attendance at ISC meetings between 1 April 2018 and 30 June 2018. It includes Appointment Sub Committees and new member induction sessions.

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

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

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

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

Measure Owner: Kevin McDonald

Data lead: Amanda Crawford & Samantha Andrews

Status

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

Rationale for performance status and trend

Measures **2.3.1 - 2.3.2** cover the quarter ending 30 June 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.

3.6 - Minimise unrecoverable debt on termination of employer participation

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

Scope: All employers contributing to the scheme

Measure Owner: Kevin McDonald

Data leads: Sara Maxey

Status

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

Rationale for performance status and trend

3.6.1 Scoring:

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

In April 2018 Castle Point Citizens Advice Bureau went into liquidation, the Actuary report was completed and deficit sum was £39k, this represents less than 0.001% of the £6.8bn Fund as at 30 June 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
4.1.1 Letter detailing transfer in quote issued within 10 working days (188 cases) (208 in 2015/16)	86.5%	89.1%	A	A	95.0%	87.2%
4.1.2 Letter detailing transfer out quote issued within 10 working days (765 cases) (671 in 2015/16)	87.9%	89.3%	A	A	95.0%	86.5%
4.1.3 Letter detailing process of refund and payment made within 5 working days (1,106 cases) (890 in 2015/16)	95.5%	95.3%	G	G	95.0%	93.8%
4.1.4 Letter notifying estimated retirement benefit amount within 10 working days (2,346 cases) (4,047 in 2015/16)	98.2%	98.1%	G	G	95.0%	92.8%
4.1.5 Letter notifying actual retirement benefits and payment made of lump sum retirement grant within 5 working days (2,517 cases) (2,178 in 2015/16)	99.2%	99.3%	G	G	95.0%	93.4%
4.1.6 Letter acknowledging death of active /deferred / pensioner member within 5 working days (1,106 cases) (1,266 in 2015/16)	99.7%	99.7%	G	G	95.0%	96.1%
4.1.7 Letter notifying the amount of dependent's benefits within 5 working days (1,106 cases) (1,266 in 2015/16)	95.4%	96.2%	G	G	95.0%	Annual (Qtr 4)
4.1.8 Calculate and notify deferred benefits within 10 working days (2,436 cases) (4,327 in 2015/16)	85.2%	88.7%	A	A	95.0%	83.8%
4.1.9 Annual benefit statements issued to active members of LGPS (Career Average) by 31 August.	100.0%	100.0%	G	G	100.0%	
4.1.10 Annual benefit statements issued to deferred members by 30 June.	100.0%	100.0%	G	G	100.0%	
4.1.11 New IDRPs appeals during the year (per one thousand members)	0.02	0.01	G	G	Below CIPFA average	0.14
4.1.12 IDRPs appeals - number of lost cases	0.00	0.00	G	G	Below CIPFA average	0.05

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

4.1.9 Annual Benefit Statements were issued to all active members by 31 August 2018. No CIPFA average available.

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).

NB:. Benchmarking for 2017/18 has commenced as of August 2018. This update will be provided in December 2018.

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

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

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

Measure Owner: Jody Evans

Data lead: David Tucker and Holly Gipson

Status

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

Rationale for performance status and trend

4.1.13

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

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

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

4.1.14

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

Payment of Death Grants detailed analysis	Mar'18 quarter	Jun'18 quarter
A: Notifications of Scheme Member deaths received	55	64
B: Number within A with death grant nomination	23	28
C: Number within B paid in line with nomination held	23	25
D: Number within B paid to next of kin (in instances of predeceased nominee)	0	1
E: Number within A paid to the Estate (in instances of predeceased nominee)	0	0
F: Number within A without death grant nomination	32	36
G: Number within F paid to next of kin	30	36
H: Number within F paid to the Estate	0	0
I: Number within F paid to the Treasury Solicitor	1	0
J: Number paid to holding account as no details of NOK at present	1	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	1		G	A	0	0	Low	Quarterly
4.2.2 Actions in place for all breaches	1		G	G	Actions in place for all	Actions in place for all	N/A	Quarterly

Rationale for performance status and trend

<p>4.2.1 In the quarter to June 2018, there was a minor breach during the dispatch of balance of pension notifications. Unfortunately due to a manual error, two notifications were put into one envelope.</p> <p>Green = 0 breaches Amber = 1 or more medium or minor breaches Red = 1 or more major or critical breaches</p> <p>4.2.2 The action taken was:</p> <ul style="list-style-type: none">- security incident reported under GDPR no.F1954541;- correct letters re-issued on 12 June; and- letters advising members of our breach issued on 12 June.
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4.3 - Ensure proper administration of financial affairs

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

Scope: Investments and Contributions

Measure Owner: Kevin McDonald

Data leads: Samantha Andrews & Sara Maxey

Status

	Value	Units	Previous status	Current status	Current target	Annual target	Polarity	Frequency
4.3.1 % of monthly reconciliations of equity and bond investment mandates which are timely	0.0	%	A	G	0%	100%	High	Quarterly
4.3.2 % of contributing employers submitting timely payments	99.3	%	A	A	100%	100%	High	Quarterly

Rationale for performance status and trend

4.3.1 In the quarter up to June 2018, no target is set in this quarter.

4.3.2 For the quarter ending June 2018 **99.3%** of employers submitted timely payments. In cash terms this equated to **99.9%** of a total employer contribution of £40.9m.

4.4 - Compliance with the Fund's governance arrangements

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

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

Rationale for performance status and trend

4.4.1, 4.4.2, 4.4.3 & 4.4.4 No PSB meetings were held in the 1st Qtr.

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

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

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

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

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

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>	96.6	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.3. % of positive responses from the Employer Survey. - <i>Pensions Teams are friendly and Informative.</i>	96	%	G	G	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 April 2017 a scheme member survey was issued, 500 scheme members were invited to participate and 122 responses were received to the question to ‘How would you rate the Essex Pension Fund on helpfulness of staff?’. All responses were positive resulting in a 100% positive response. The previous survey result for this question was 99.1%.

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

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

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

NB: Surveys are due to be issued during the 3rd Quarter and data will be available during Quarter 4.

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>	98.3%	%	G	G	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>	92.6%	%	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.	0.8%	&	G	G	Increase	Increase	High	Annual (Qtr 4)
5.2.6. Increase in response rate of the Employer Survey compared to last year.	4.8%	%	G	G	Increase	Increase	High	Annual (Qtr 4)
5.2.7 Employer survey - feedback on training and educational materials - % of positive responses	100.0%	%	G	G	95.0%	95.0%	High	Annual (Qtr 4)

Rationale for performance status and trend

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

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

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

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

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

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

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

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

Measure Purpose: Aim for a full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme 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>	100%	%	G	G	95%	95%		Annual (4th Qtr)

Rationale for performance status and trend

5.3.1 This measure is under review.

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

NB: Surveys are due to be issued during the 3rd Quarter and data will be available during Quarter 4.

Essex Pension Fund Strategy Board	PSB 07
Date: 12 September 2018	

Investment Steering Committee (ISC) Quarterly Report

Report by the Director for Essex Pension Fund

Enquiries to Kevin McDonald on: 0333 0138 488

1. Purpose of the Report

1.1 To provide a report on ISC activity since the last Board meeting.

2. Recommendations

2.1 The Board agree:

- that the report be noted.

3. Background

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on two occasions 27 June and 18 July 2018.

4. Report of the meeting of ISC on 27 June 2018

- 4.1 The Committee noted changes to its membership, its Terms of Reference, and the appointment of Cllr Susan Barker as Chairman following the 15 May 2018 annual meeting of Essex County Council. Cllr Mark Platt was appointed as Vice Chairman.
- 4.2 A report on the Q4 March 2018 Investments Tables, which detailed the Fund's market value and investment manager performance, was discussed. It was noted that the Fund's value had fallen from £6.605bn as at 31 December 2017 to a value of £6.519bn as at 31 March 2018.
- 4.3 The Committee noted an update from Hymans Robertson outlining the progress made in implementing the first phase of the transition from equities to alternatives.
- 4.4 It was explained that in April the overweight position of Baillie Gifford global equity mandate had been rebalanced back successfully to within agreed tolerance of its strategic allocation with the proceeds used to bring GSAM's bond mandate back in line with its target allocation. It was also highlighted that both the Stafford and Alcentra mandates which had fallen below target were also given further commitment to bring back in line with its target.
- 4.5 The main focus of the meetings business was an update outlining the latest developments in respect of the structural reform of the LGPS.
- 4.6 A presentation was received from John Wright, Strategic Adviser to the ACCESS pool whereby the progress made to date in respect of the ACCESS Pool establishment, governance manual, operations and sub fund launch was outlined.
- 4.7 Members were informed that Officers, assisted by ACCESS's legal advisors Squires have been working with Link, the Operator to finalise the prospectus for submission to the Financial Conduct Authority (FCA). It was noted that whilst

there had been a few delays whilst clarification was sought it was hoped that the submission would be imminent.

- 4.8 It was noted that with the assistance of Muse and Squires, Officers had made substantial progress in formulating much of the content of the Governance Manual.
- 4.9 The Committee received a training presentation from Northern Trust, Link's ACS depository and custodian servicer provider on stock lending. An overview of stock lending principles and examples was also outlined. It was agreed in principle that the Fund adopt a policy to lend stock as part of the terms to invest within the ACCESS pooling arrangements.
- 4.10 The Committee also agreed to adopt the ACCESS voting guidelines as part of the terms of investing in the equity sub funds of the ACCESS ACS.

5. Report of the meeting of ISC on 18 July 2018

- 5.1 The Committee received an update from the Independent Governance and Administration Adviser on the progress made to date on the review of the Governance and Compliance Statement. Consideration was also given to the revised ISC Terms of Reference (ToR) which were updated to reflect the new 'pooling' landscape. It was agreed that the revised ISC ToR be taken to Full Council for formal ratification.
- 5.2 The Committee noted the report of the Officers & Advisers meetings held with both Aviva Investors and Stewart Investors.
- 5.3 The main focus of the meeting's business was the yearly review of the Fund's investment managers.
- 5.4 The Committee received a presentation from Hymans Robertson on the Fund's investment performance to 31 March 2018. This was followed by a presentation which summarised their current views on the capability of each of the Fund's managers relative to their peer group universe.
- 5.5 Presentations were received from Goldman Sachs Asset Management on the active bond mandate and Aviva Investors on the property portfolio. The Aviva presentation covered the background to the recent review undertaken of its business model whereby the decision was made to sell its £5.3bn AUM real estate multi manager business to LaSalle Investment Management.

The Committee agreed subject to due diligence that the delegation consent be signed.

- 5.6 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS. It was confirmed that ACCESS was awaiting a formal response to the half yearly progress update sent to the Ministry of Housing, Communities & Local Government in April. It was also noted that a meeting of the S151 Officers of the ACCESS Authorities had been scheduled for 25 July whereby the ACCESS support unit arrangements were due to be discussed further.

6. Link to Essex Pension Fund Objectives

6.1 Investments

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

7. Risk Implications

- 7.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement.
- 7.2 Officers and advisers will examine the potential risks associated with pooling once the structures and timescales for the migration of Fund assets are better understood. These will then be brought to a future meeting of the ISC for consideration.

8. Communication Implications

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

9. Finance and Resources Implications

- 9.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £105,000 in 2018/19. The cost to the Fund was £94,000 and £80,000 in 2017/18 and 2016/17 respectively.

10. Background Papers

- 10.1 ISC meeting of 27 June 2018 – agenda and draft minutes.
- 10.2 ISC meeting of 18 July 2018 – agenda and draft minutes.

Essex Pension Fund Strategy Board	PSB 08
Date: 12 September 2018	

Training Plan

Report by the Independent Governance & Administration Advisor

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

1. Purpose of the Report

- 1.1 The Independent Governance & Administration Advisor (IGAA) will deliver a presentation on the training plan for CIPFA knowledge and skills framework modules for the next 2 years. A summary of the framework is provided at Annex A.

2. Recommendations

- 2.1 That the Board should note the presentation.

3. Risk Implications

- 3.1 Failure to ensure that a proper training plan is in place could mean that the Fund fails to meet the following governance related objective:

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

4. Background Papers

- 4.1 None.

ESSEX PENSION FUND: TRAINING PLAN 2018/19 – 2019/20

Training event	Actuarial methods, standards and practices	Pensions legislation	Pensions governance	Pensions administration
CIPFA Framework	Yes (module 8)	Yes (module 1)	Yes (module 2)	Yes (module 3)
Scheduled Date	(date tbc)	(date tbc)	(date tbc)	(date tbc)
Delivered by				
PSB	Yes	Yes	Yes	Yes
PAB	Yes	Yes	Yes	Yes
Outline of Content	<p>A general understanding of;</p> <ul style="list-style-type: none"> • The role of the actuary • The valuation process (including the FSS and inter-valuation monitoring) • Early and ill-health retirement monitoring • New employers and cessations • Outsourcings and bulk transfers • Employer covenant 	<p>A general understanding of;</p> <ul style="list-style-type: none"> • The overall legislative framework • Scheme-specific regulations and guidance • LGPS discretions and the formulation of policies • Latest changes to LGPS rules 	<p>A general understanding of;</p> <ul style="list-style-type: none"> • The role of the admin authority • The role of DCLG, the Pensions Regulator, the Pensions Advisory Service, the Pensions Ombudsman • The role of the Scheme Advisory Board • The role of Pension Committees in relation to the fund, the admin authority, employing authorities, scheme members and taxpayers. • The role of the s151 officer and the monitoring officer • The Myners' Principles • The role and responsibilities of PAB members (a detailed knowledge will be required for PAB members). • The fund's stakeholders and their interests • The consultation, communication and involvement options available to stakeholders • Monitoring and managing pension fund risk • Managing conflicts of interest • Reporting breaches of the law. 	<p>A general understanding of;</p> <ul style="list-style-type: none"> • Best practice in pension's administration eg performance and cost measures. • Fund policies relating to member data maintenance and record-keeping processes, internal dispute resolution, contributions collection and scheme communication and materials. • Discretionary powers • The fund's pensions administration strategy • Pensions taxation • An understanding of AVC arrangements, including investment choices, investment performance and payment schedule.

Training event	Pensions accounting and auditing standards	Pensions services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge
CIPFA Framework	Yes (module 4)	Yes (module 5)	Yes (module 6)	Yes (module 7)
Scheduled Date	(date tbc)	(date tbc)	(date tbc)	(date tbc)
Delivered by				
PSB	Yes	Yes	Yes	Yes
PAB	Yes	Yes	Yes	Yes
Outline of Content	<p>A general understanding of;</p> <ul style="list-style-type: none"> Accounts and Audit Regulations and legislative requirements relating to internal controls and accounting practice The role of internal and external audit The role played by third party assurance providers. 	<p>A general understanding of;</p> <ul style="list-style-type: none"> Public procurement policy and procedures and the roles of key decision-makers and organisations. The main public procurement requirements of UK and EU legislation. The nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties. How the pension fund monitors and manages the performance of their outsourced providers. 	<p>A general understanding of;</p> <ul style="list-style-type: none"> The importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks The Myrers' principles of performance management and the approach adopted by the administering authority. The range of support services, who supplies them and the nature of the performance monitoring regime. 	<p>A general understanding of;</p> <ul style="list-style-type: none"> The risk and return characteristics of the main asset classes The role of these asset classes in long-term pension fund investing. The importance of the fund's SIP and the investment strategy decision. the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks. the limits placed by regulation on the investment activities of local government pension funds. how the fund interacts with the taxation system in the UK and overseas in relation to investments.

Note: The above represents the 8 modules of the CIPFA knowledge and skills framework. The plan would be to deliver each module over the course of a two year period recognising that the order of modules is flexible and will change in order to reflect the business being considered by the Board.

DRAFT

