

Essex Pension Fund Board	EPB/08/15
Date: 8 July 2015	

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:

- 2015/16 business plan
- three year business plan
- risk management
- scorecard

2. Recommendations

2.1 That the Board considers:

- progress against the 2015/16 business plan
- the 3 year business plan
- the current risks with a residual score of six or above
- the latest scorecard measures

2.2 That the board agrees:

- that the new actions highlighted in 5.3 are added to the 2015/16 Business Plan
- the revised risk scores highlighted in 8.2 and 8.3 and detailed in Annex B (ii).

3. Background

3.1 The following documents accompany this report:

- an update on the 2015/16 business plan at Annex A(i);
- the 3 year business plan at Annex A(ii);
- unchanged risks with a residual score of six or above are detailed at Annex B (i);
- new risks / risk with a changed score are detailed at Annex B (ii)
- 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:

- Year end data submission and Annual Benefit Statements
- Effectiveness of the Essex Pension Fund Board
- infoBOARD workshop

5. Cessation of “contracting out” from 1 April 2016

5.1 The LGPS is one of a number of pension schemes which is “contracted out” of the second state pension. This means that both employers and employees pay reduced levels of National Insurance.

5.2 Contracting out is due to cease on 31 March 2016. This has two implications:

- The National Insurance arrangements for both employers and active scheme members will increase w.e.f. 1 April 2016. Assuming no changes are made to these plans in the Chancellor’s 8 July 2015 budget, it will be necessary to communicate with both employers and active scheme members
- The Guaranteed Minimum Pension (GMP) element of Scheme Members entitlement will be required to be confirmed. This will take place over two years starting 1 April 2016.

5.3 In light of the above **it is recommended** that the 2015/16 business plan be amended to include two actions which reflect

- Communicating with employers and active scheme members regarding forthcoming National Insurance changes; and
- Preparations for process of confirming the GMP element of Scheme Members’ entitlement.

6. Business Plan 2015/16

6.1 Progress is on track with the business plan shown at Annex A(i). Of the 21 actions agreed at the Board's March 2015 meeting:

- 2 (10%) have been completed;
- 11 (52%) are in progress, of which 3 are subject to items elsewhere on this agenda
- 8 (38%) are scheduled to commence later in the year.

7. 3 year Business Plan

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

8. Risk Register

8.1 Unchanged risks with a residual score of six or above are detailed at Annex B (i);

8.2 Risks with a changed score are detailed at Annex B (ii). Two risks have had scores reduced since the last meeting:

G1 – The likelihood of failure of governance arrangements to match up to recommended best practice – especially if Regulations were late – has receded. Arrangements to establish the new Pension Advisory Board were made prior to the April deadline. The residual risk has reduced from 9 to 3.

A1 – The likelihood of failure to administer the scheme in line with Regulations owing to the migration of new UPM Civica software has receded. The system has been live since January 2015, and this residual risk has reduced from 9 to 6.

8.3 Item 7 proposes a new risk (A18) in relation to Annual Benefit Statements. This has been included within Annex B (ii) for completeness. In addition one further existing risk has had an increased score since the last meeting:

C1 – Freedoms and Flexibilities for members of Defined Contribution Schemes were introduced from 1 April 2015. Whilst the (defined benefit) Fund has not seen any significant change in scheme members withdrawing from LGPS membership, since the start of 2015, the volume of enquiries (mostly by phone) has increased significantly. This has increased the Fund's residual risk score on effective communication with stakeholders from 1 to 6.

8.4 It is recommended that the Board agrees these revised risk scores.

8.5 The full risk register is available on infoBOARD.

9. Scorecard

- 9.1 The scorecard is set out in Annex C.
- 9.2 Objective 4.1 “deliver a high quality friendly and informative service” has contains the highest number of individual measures. In light of the Board’s decision in March 2015 to adopt a further measure in relation to death grants, changes have been made to the presentation of 4.1.
- 9.3 As detailed in Annex C, 4.1 is now split between two separate pages: the first for the twelve annual measures, and the second for the two quarterly measures which includes the new measures on death grants.

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 Key lines of communication are required with both Board Members and other stakeholders. .

13. Finance and Resources Implications

- 13.1 The business plan for 2015/16 is challenging and will require significant input by officers and advisers to bring some of the actions to conclusion. The staffing structure will be reviewed during the year.

14. Background Papers

- 14.1 None.