

Essex Pension Fund Board	EPB/25/14
Date: 17 September 2014	

Update on Pension Fund Activity

Joint Report by the Director for Essex Pension Fund & Head of Essex Pension Fund
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1. Purpose of the Report

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

- 2014/15 business plan
- three year business plan
- risk management
- scorecard

2. Recommendations

2.1 That the Board notes:

- progress against the 2014/15 business plan
- the current risks with a residual score of six or above
- the latest scorecard measures

3. Background

3.1 The following documents accompany this report:

- an update on the 2014/15 business plan at Annex A(i);
- the 3 year business plan at Annex A(ii);
- risks with a residual unchanged score of six or above are detailed at Annex B(i)
- risks 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:

- 2014 Interim Review & Funding Strategy
- Reform of LGPS (Structural and Governance)
- External Audit
- ISC Quarterly Report

5. Business Plan 2014/15

5.1 Progress is on track with the business plan shown at Annex A(i). Of the 23 actions for 2014/15:

- three has been completed;
- sixteen are in progress and
- the remaining four are scheduled to commence later this year.

5.2 One fundamental area of work surrounds the implementation of the new administration system (UPM, provided by CIVICA) following the Board's procurement decision in December 2013. The project is proceeding to plan with the milestones of the second data cut and the commencement of testing both taking place during August. A further data cut and sign off of standard processes/calculations are imminent. Dual running is scheduled to commence in October.

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 remains one red rated risk – stemming from the delays associated with the issuance of the transitional regulations. Risk A1 covers the delivery of a high quality service to beneficiaries, potential beneficiaries and employers.

- 7.2 As reported in agenda item 5B, the anticipated timing of the finalised Regulations has led to a change in score for risk G1 *“Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and /or need to make major changes at short notice”*.
- 7.3 The change in ratings for this risk are set out below and detailed at Annex B (ii).

	Residual Impact	Residual Probability	Residual Risk score	Above key risk threshold (residual risk score of 6)
Prior rating	3	1	3	No
Current rating	3	3	9	Yes

8. Scorecard

- 8.1 Measures **2.1.1** & **2.1.2** compare the Fund’s annual investment performance to a peer group and the bespoke benchmark. The Fund’s Custodian had initially advised that the return for 2013/14 was **8.7%**. Investigations by officers highlighted potential issues relating to the property portfolio, and the Custodian was asked to review. Following further work and liaison with the Aviva, the Fund’s property manager, the performance return was revised to **9.2%**. IAS 19 / FRS 17 disclosures were re-issued to employers in July reflecting the revision.
- 8.2 A revised process has been designed to ensure appropriate liaison between the Custodian and Property Manager to avoid a future recurrence. Officers continue to monitor matters.
- 8.3 Most of the measures under objective **4.1** *“Deliver a high quality, friendly and informative service”* have been updated and for the first time each indicator is now green.
- 8.4 Measures **4.1.1**, **4.1.2** & **4.1.3** (letters issued relating the transfers in, transfers out and process of refund & payment) have changed from amber to green. Measure **4.1.8** (the calculation and notification of deferred benefits) has changed from red to green. This represents a significant achievement for the Administration Team.

9. Link to Essex Pension Fund Objectives

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

10. Risk Implications

10.1 Key risks are identified at Annex B (i) and changed risks are detailed at Annex B (ii).

11. Communication Implications

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

12. Finance and Resources Implications

12.1 The business plan for 2014/15 is challenging and labour intensive and will require significant input by officers and advisers to bring some of the actions to conclusion.

13. Background Papers

13.1 None.