



Essex County Council

# Essex Pension Fund Strategy Board

<b>10:00</b>	<b>Wednesday, 04 March 2020</b>	<b>Committee Room 2, County Hall, Chelmsford, CM1 1QH</b>
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**For information about the meeting please ask for:**

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### **Exempt Items**

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

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

**That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.**

**13 Cessation Payment Plan**

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

**14 Pooling Update**

To receive a presentation from the Interim Director for Essex Pension Fund

**15 Urgent Exempt Business**

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

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<b>Essex Pension Fund Strategy Board</b>	<b>PSB 01</b>
<b>Date: 04 March 2020</b>	

## **Essex Pension Fund Strategy Board (PSB) Membership, Apologies and Declarations of Interest**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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

- 1.1 To present Membership, Apologies and Declarations of Interest for the 04 March 2020 PSB.

### **2. Recommendation**

- 2.1 That the Board should note:

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

### **3. Membership**

(Quorum: 4)

11 members consisting of:

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

<b>Membership</b>	<b>Representing</b>
Councillor S Barker	Essex County Council (Chairman)
Councillor M Platt	Essex County Council (Vice Chairman)
Councillor A Goggin	Essex County Council
Councillor A Hedley	Essex County Council
Councillor M Maddocks	Essex County Council
Councillor C Souter	Essex County Council
Councillor L Scordis	Essex County Council
Councillor M Dent	Southend-on-Sea Borough Council
Ms J Moore	Other Employing Bodies
Councillor C Riley	Castle Point Borough Council
Sandra Child	Scheme Members

## **Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB) held in Committee Room 2, on 18 December 2019**

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

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

#### **Membership**

##### **Present:**

##### **Essex County Council**

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr M Maddocks	

Left 10.25am

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

Cllr M Dent	Southend Borough Council
Cllr C Riley	Castle Point Borough Council

##### **Scheme Member Representatives**

Sandra Child (UNISON)

##### **Other Employing Bodies**

Jenny Moore

The following officers and advisers were also present in support:

Jody Evans	Interim Director for Essex Pension Fund
Sara Maxey	Employer Manager
Sam Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Karen McWilliam	Independent Governance & Administration Adviser (IGAA) (AON)

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

Andrew Coburn	Scheme Member Representative
James Sheehy	Scheme Member Representative

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

#### **Opening Remarks**

The Chairman welcomed the Board.

## **Apologies for Absence**

It was noted that Cllr C Souter, Cllr A Hedley, Cllr L Scordis and Cllr A Erskine, along with PAB Members, Nicola Mark and Debs Hurst were unable to attend the meeting.

## **Declarations of Interest**

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

Cllr S Barker also declared that she sits on the Foreign Travel Committee which related to Agenda Item 11.

Cllr M Platt declared that he is the Deputy Cabinet Member for Environment & Climate Change Action.

### **Resolved:**

The Committee noted the report.

## **2. Minutes**

Minutes of the meeting of the PSB held on 11 September 2019 were approved as a correct record and signed by the Chairman.

## **3. Update on the Terms of Reference (TOR) for PSB, ISC and PAB**

The Interim Director for Essex Pension Fund informed the Board that the PSB, ISC and PAB TORs were approved by Full Council on 8 October 2019 and had now been published within the Council's Constitution.

Clarification was also provided in regard to Appendix D entitled 'Other Matters', an extract from the Council's Constitution in regard to other pension related responsibilities.

### **Resolved:**

The Board noted the revised TORs.

## **4. PSB Member Recruitment**

### **4a. Arrangements for Other Employing Bodies PSB Representative**

The Interim Director for Essex Pension Fund reminded the Board that Jenny Moore would be stepping down as the Other Employing Bodies PSB Representative after the 4 March 2020 PSB meeting as agreed at their last meeting.

A report was presented to the Board providing details of the proposed recruitment process including a timeline for the position to be filled.

The Board expressed thanks to Jenny for her commitment and service on the Board.

**Resolved:**

The Board agreed the commencement of the recruitment process and timeline to fill the Other Employing Bodies PSB Representative.

**4b. Arrangements for Scheme Member PSB Representative (UNISON)**

The Chairman requested Sandra Child be excluded from the meeting for the discussion of this item.

The Interim Director for Essex Pension Fund notified the Board that Sandra's 4-year term would cease at the end March 2020.

A report was presented to the Board on the arrangements for reviewing the Scheme Member PSB representative position.

The Board expressed the view that in order to provide continuity and retain Fund knowledge it would be their preference if UNISON re-appointed Sandra Child for a further 4-year term.

**Resolved:**

The Board agreed for Officers to approach UNISON in relation to the re-appointment of Sandra Child as the Scheme Member PSB Representative.

**5. EPF Policies and Publications**

The Independent Governance & Administration Adviser (IGAA) provided the Board with an overview of the work undertaken by Officers noting the progress made against the review of the Fund's Policies and Publications.

The Board were notified that on review of the Fund's Scorecard measures, the IGAA made recommendations for minor amendments to be made to the Fund's objectives to ensure they were measurable.

The IGAA explained the reasons for each of the amendments. The Board acknowledged that the Scorecard is an ongoing document and therefore should be changed as and when required.

**Resolved:**

The Board:

- noted the progress made against the review of the Fund's Policies and Publications; and
- approved the amendments to the Fund's Objectives.

## 6. Good Governance Report

The IGAA introduced this item to the Board highlighting the self-assessment (Appendix A) carried out by the Fund against the recommendations made within the Good Governance Survey carried out by Hymans Robertson during July 2019 (Appendix B).

The IGAA stated that the Fund was in a strong position and whilst there were areas marked as partially compliant, the Fund have started to put measures in place to become fully compliant in the near future. An example of this was the Fund's Conflict of Interest Policy due to be approved by the Board at their March 2020 meeting.

A key area of discussion was in relation to the Fund's approval of the Business Plan alongside a Pension Fund Budget. The Interim Director for Essex Pension Fund confirmed that the Fund has an internal operational budget and highlighted the current arrangements undertaken within ECC in regard to the budget approval process. It was explained that a recommendation of the Good Governance Review was the Board should in the future be presented a budget alongside the Business Plan for approval.

### **Resolved:**

The Board noted the report and update.

## 7. Valuation Update

The Employer Manager introduced this item to the Board highlighting the progress made against the timetable that was agreed at their 11 September 2019 meeting.

The Board were informed that results had been issued to:

- all 18 District and Other Tax Raising Bodies;
- all 9 colleges;
- 22 out of the 34 Other Admission Bodies; and
- 3 of out of the 5 Designated Employers.

The Board were made aware that the Employer Manager had been working through the results with each employer individually as well as presenting initial results via a webinar in consultation with Barnett Waddingham. Members of the Board were encouraged to watch the webinar and to notify the Compliance Team once completed to allow their training record to be updated accordingly.

The Board queried the capacity within the Employer Team to allow for this type of one to one communication and negotiation with employers. The Board were made aware of the team structure including a vacancy of which it was explained that a recruitment process was currently underway.

### **Resolved:**

The Board noted the presentation and update.

## 8. Update on Pension Fund Activity

The Board received an update from the Interim Director for Essex Pension Fund on the current Business Plan, Risk Register and the Scorecard.

During the consideration of this item the following was highlighted:

- good progress had been made on the Business Plan with all tasks in progress;
- a red risk on the Risk Register remains concerning the unknowns surrounding the McCloud judgement;
- the scorecard improvement and declined scores.

The Board asked if action 10 within the Business Plan could included a % rate for their March 2020 meeting.

In regard to Employer Online the Interim Director for Essex Pension Fund stated this was a much simpler and easier way for Employers to submit their information to the Fund on time. This was confirmed by the Other Employing Bodies Representative who encouraged all Employers to sign up for this service.

The Board were also notified that several risks were being reviewed by the Fund during Quarter 3:

- I8 – continually reviewed as part of the Investment Strategy Statement review in relation to Responsible Investment;
- G8, G10 and G11 – the IGAA suggested that these scores should be reassessed and potentially downgraded due to the good level of control activities in place.

The Board were also notified that Members training was currently scored as Amber within the Scorecard, however, should be green next quarter due to Members attendance at the Bailie Gifford Conference, ACCESS Investor Day and the Responsible Investment Workshop.

### **Resolved:**

The Board noted:

- progress for 2019/20 against the Business Plan;
- the current risks scoring Amber and Red; and
- the latest scorecard measures.

## 9. Pension Advisory Board (PAB) Quarterly Report

The Board received a report for the Interim Director for Essex Pension Fund which provided the Board with an update on the PAB activity since the previous Board meeting.

It was noted that the PAB met on 25 September 2019 whereby Andrew Coburn was elected as Vice Chairman of the PAB. The main business of the meeting were the review of the last two PSB meetings.

The Board were also provided with an update in relation to the review of the PAB Chairman in which a letter to offer an extension to the current incumbent was being drafted.

It was noted that the PAB would be meeting again on 15 January 2020.

**Resolved:**

The Board noted the report and update.

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

The Board received a report from the Investment Manager which provided details on the ISC activity since the previous Board meeting.

It was noted that the ISC met on 27 November 2019 where the Committee received presentations from the Local Authority Pension Fund Forum (LAPFF) and Stewart Investors, the Fund's emerging market equity manager. In addition, an overview was provided in relation to the Responsible Investment Workshop, work undertaken on the investment tables, Fund's investment performance and strategy implementation progress.

A number of decisions at this meeting had been made and were detailed within the report.

**Resolved:**

The Board noted the report.

**11. Schedule of Future meetings**

The Board received a report from the Compliance Manager detailing the remaining planned Board and Committee meetings for this municipal year.

It was reconfirmed that PSB meetings would commence at 10am for the remainder of the municipal year with ISC meetings remaining at their 1pm start time.

Pension Strategy Board

4 March 2020 – 10am

Investment Steering Committee

19 February 2020 – 1pm

25 March 2020 – 1pm

Pension Advisory Board

15 January 2020 – 1pm

The Chairman requested that some 'back to basics' training be provided to the Board.

The Chairman also brought to the Board's attention the planned meeting dates for the 2020/21 municipal year which were agreed as follows:

Pension Strategy Board

17 June 2020 – 10am-1pm

23 September 2020 – 10am-1pm

16 December 2020 – 10am-1pm

17 March 2021 – 10am-1pm

Investment Steering Committee

15 July 2020 – 10am-4pm (*post meeting note, date now agreed as 21 July 2020 11am – 5pm*)

21 October 2020 – 10am-1pm

20 January 2021 – 10am-4pm

24 March 2021 – 10am-1pm

Training Days

1 July 2020 – 10am-4pm

4 November 2020 – 10am-4pm

The Board noted that the intention was for the PAB meetings to be held on the same day as the PSB and would commence once the PSB had finished.

The Chairman also notified the Board of the events/conferences that were on the horizon. Members were advised to contact the Compliance Manager if they would like to attend any of the events discussed by the given deadlines, in order for approval of travel to be sought from the Foreign Travel Committee.

**Resolved:**

The Board:

- noted the schedule of meetings and events for 2019/20;
- noted that a 'back to basics' training session would be planned in due course; and
- agreed the schedule of meetings and training days for 2020/21.

**12. Urgent Part I Business**

The Interim Director for Essex Pension Fund notified the Board that the Fund had been shortlisted for the following Pension Age Awards:

- Pension Scheme Innovation Award;
- Best Risk Management Exercise; and
- Defined Benefit Pension Scheme of the Year.

**Exclusion of the Public and Press**

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

**Resolved:**

The Chairman brought to the attention the above statement and the Board agreed to proceed.

**13. Pooling Update**

The Board received a presentation and update on the latest developments from the Interim Director for Essex Pension Fund including a verbal update of the ACCESS Joint Committee meeting held on 9 December 2019.

**Resolved:**

The Board noted the presentation.

**14. Urgent Exempt -Business**

None.

**15. Closing Remarks**

The Chairman reaffirmed that the next PSB would take place on Wednesday 04 March 2020 at 10am.

Cllr Dent asked if he could be sent the announcement of when the Investment Strategy Statement consultation commences.

The Chairman wished everyone a Merry Christmas.

There being no further business the meeting closed at 11.45am.

**Chairman**  
**4 March 2020**

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 03a</b>
<b>Date: 04 March 2020</b>	

## **2019 Actuarial Valuation and Funding Strategy Statement**

Report by the Employer Manager and Fund Actuary, Barnett Waddingham

Enquiries to Sara Maxey on 0330 0138496 Employer Manager

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

- 1.1 To provide an update to Members of the Essex Pension Fund Strategy Board on the progress of the 2019 Actuarial Valuation.
- 1.2 To report on the recent consultation exercise on the draft Funding Strategy Statement (FSS) and to submit the updated FSS for approval.
- 1.3 To propose amendments to the Funding Objectives following the conclusion of the 2019 Valuation.

### **2. Recommendations**

- 2.1 The Board **agree** that:
  - the updated FSS, be approved for final publication;
  - the proposed amendments to the Fund's Funding Objectives; and
  - the content of the report be noted.

### **3. Background**

- 3.1 At its last meeting on 18 December 2019 the Essex Pension Fund Strategy Board (the Board) received a verbal update on the progress of the 2019 Actuarial Valuation of the Fund.
- 3.2 In accordance with the Local Government Pension Scheme (LGPS) Regulations, the Valuation must be completed by 31 March 2020 and a Valuation Report including a Rates & Adjustment Certificate issued by that date. The Certificate details the revised employer contribution rates for each employer for the period 1 April 2020 to 31 March 2023.
- 3.3 Essex County Council, as Administering Authority of the Essex Pension Fund (the Fund), is also required under the LGPS Regulations to prepare and publish a FSS and to keep the Statement under review. It is appropriate, to do so alongside the Valuation of the Fund.

### **4. Progress of the 31 March 2019 Actuarial Valuation**

- 4.1 At its December meeting the Board were given a verbal update on the progress of the Valuation and detailed Valuation results. Members were advised that the options for the payments of contributions in line with the provisions of the draft FSS had been issued to the major Tax Raising Bodies, Colleges & Universities.
- 4.2 The Tax Raising Bodies' Forum took place 17 October 2019 where Fund Level results were shared and presentations from the Actuary, Interim Director for Essex Pension Fund and the Employer Manager were given. Since then the Employer Manager has held discussions with individual Councils over various contribution options in preparation for their budget proposals to be taken to respective Full Council meetings. The contribution rates outcome with the Tax Raising Bodies will be presented at the 04 March 2020 Board meeting.
- 4.3 Since the December Board meeting, the Valuation process has continued and the remaining employers – Academies, Community Admission Bodies, Transferee Admission Bodies and Town & Parish Councils - have been issued with results. A few employers are continuing discussions with the Fund.
- 4.4 The distribution of individual employer results has been supplemented with:
- specific Forum for major Tax Raising Bodies;
  - meetings with individual employers as requested;

- webinar for all employers;
- conference calls;
- email correspondence; and
- telephone calls.

- 4.5 Further to the Valuation update provided to the Board by the Actuary at their September 2019 meeting, the funding positions have improved for the majority of employers since the 2016 Valuation. Where deficits remain, recovery periods have generally reduced. Of the 94 Admission Bodies, 86 employers had funding levels of 100% or more on an ongoing basis.
- 4.6 The Actuary has reduced employer contribution rates where large surpluses are present for contractors due to current regulation requirements to repay these upon termination of contracts. This is in line with the expected amendments to the Regulations due imminently, which will take account of local arrangements. An update will be provided to the Board following the issue of these amendments.
- 4.7 The Actuary will issue the Valuation Report, Rates and Adjustment Certificate alongside the final version of the FSS by 31 March 2020. This will conclude the 2019 Actuarial Valuation process in compliance with statutory requirements.

## **5. Funding Strategy Statement (FSS)**

- 5.1 The FSS provides detail of the setting of the employer contribution rates emerging from the results of the Valuation.
- 5.2 At its December 2019 meeting the Board approved the Out of Committee Process to review the revised draft FSS. This was issued to the Board on 4 February 2020, for comments to be provided by 2 March 2020. A marked-up version of the FSS is at appendix A. A verbal update will be provided at the meeting to consider any comments received from the Board.
- 5.3 The draft FSS had also been provided to participating employers for consultation which will conclude on 2 March 2020. A verbal update will be provided to take account any comments received.
- 5.4 In addition, at its July 2018 meeting the Board concluded an exercise to review the Fund's objectives. To align with the 2019 Valuation, the Actuary has revisited

these and proposed some amendments. These are detailed in Section 7 of this report.

## **6. Academies**

6.1 As part of the 2016 Valuation a new approach for academies was adopted.

- all academies were placed in one employer pool;
- all academies to ultimately pay the same contribution rate; and
- the academy contribution rate to combine the ongoing/primary element with the deficit/secondary element and be expressed as a single percentage rate (of pensionable pay)

6.2 The number of academies in the Essex Pension Fund has continued to grow significantly since the 2016 Actuarial Valuation. The total stood at 241 academies which has increased to 404. Were every school in Essex (including Southend & Thurrock) to convert, this total would rise to 660.

6.3 The Actuary set the academy pool contribution rate at the last Valuation as 25%, estimating that it will take up to 9 years to migrate all academies to the same contribution rate.

6.4 The Academy Pool Funding Level at this Valuation has seen an increase from 58% in 2016 to 71% in 2019.

6.5 The current average academy contribution rate is 22.5%, however there remains some degree of dispersion whilst migration to the pooled rate continues.

6.6 The 2019 Valuation as mentioned has seen fund levels increase, however, allied to this future service rates have also increased. The Actuary has concluded that the academy pool contribution rate can remain at 25% until the next review.

6.7 At the end of this Valuation cycle in 2022, 66% of academies will be at the 25% contribution rate with the remaining academies to reach this before the 9-year predicted period concludes.

## **7. Funding Objectives Review**

7.1 As part of the 2019 Valuation the Funding objectives have been reviewed.

7.2 The Actuary has proposed amendments to three of the objectives as follows:

to prudently set levels of employer contributions that aim to achieve a fully funded <del>ongoing</del> position in the timescales determined in the Funding Strategy Statement	to prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement
to minimise unrecoverable debt on termination of employer participation	to adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations to minimise unrecoverable debt on termination of employer participation
to maintain liquidity in order to <del>meet projected not cash flow outgoing</del>	to maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund

### 7.3 The amendments allow for:

- employers reaching a fully funded position to pay to final cessation where required;
- encompassing a fuller objective for transparency; and
- providing greater clarity on the requirements of the Fund paying out in the distant future.

## 8. Recommendations

### 8.1 The Board **agree** that:

- the updated FSS, be approved for final publication;
- the proposed amendments to the Fund's Funding Objectives; and
- the content of the report be noted.

## 9. Link to Essex Pension Fund Objectives

- 9.1 Prudently set levels of employer contributions that aim to achieve a fully funded ongoing position in the timescales determined in the Funding Strategy Statement.
- 9.2 Recognise in drawing up its Funding Strategy the desirability of employer contribution rates that are as stable as possible.
- 9.3 Manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption, where necessary, of employer specific funding objectives.

## **10. Risk Implications**

- 10.1 The risk implications of setting the Funding Strategy are set out in the draft FSS.
- 10.2 Revision of the FSS to incorporate management information emerging from the employer analysis and engagement work carried out in preparation for the Valuation will reduce the risk of an inappropriate Funding Strategy being in place, and of the setting of inappropriate employer contribution rates and irrecoverable deficits.
- 10.3 The Fund's Scorecard also contains measures which relate directly to the Funding Strategy and are reported to each Board quarterly.

## **11. Communication Implications**

- 11.1 The final Valuation Report, Rates and Adjustment Certificate and FSS must be issued to the Minister for Housing, Communities and Local Government and to each participating employer by 31 March 2020.

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

- 12.1 It is a requirement to complete the Triennial Valuation and to keep the FSS under review. Resources are planned accordingly.
- 12.2 There will be financial implications for the Fund and its participating employers emerging from the 2019 Actuarial Valuation and from changes made to the FSS, as a result of the new employer contribution rate and payment patterns agreed with individual employers. These are effective from 1 April 2020.
- 12.3 Employer engagement throughout the processes of the Valuation and revision of the FSS should assist participating employers to better manage and understand their financial responsibilities to the Fund.

### **13. Background Papers**

13.1 04 July 2018 PSB Review of Objectives and Risks, agenda item 09.

13.2 11 September 2019 PSB, FSS, agenda item 03.

13.3 11 September 2019 PSB, Employer Risk Analysis, agenda item 14.





# Funding Strategy Statement

March 2020

DRAFT



# Essex Pension Fund

March 20XX

# Essex Pension Fund

## Essex County Council Pension Fund

## Funding Strategy Statement

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*This Statement has been prepared by Essex County Council (the Administering Authority) to set out the funding strategy for the Essex County Council Pension Fund (the Fund), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and the guidance paper issued in August 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.*

## 1. Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:-
  - the guidance issued by CIPFA for this purpose;
  - the [Statement of Investment Principles \(SIP\)](#) / Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; and
  - the Public Services Pensions Act 2013 section 13(4)
- The FSS must be revised and published whenever there is a material change in the policy on the matters set out in either the FSS or the [SIP/ISS](#).

Benefits payable under the Local Government Pension Scheme (the Scheme) are guaranteed by statute and therefore the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme Regulations 2013). The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (principally Administration Regulation 62) which require that an actuarial valuation is completed [currently](#) every three years by the Actuary appointed by the Fund, including a rates and adjustments certificate. Contributions to the Fund should be set so as to “secure its solvency”, whilst the Actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The Actuary must have regard to the FSS in carrying out the valuation.

[The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.](#)

## 2. Purpose of the Funding Strategy Statement in policy terms

Funding is defined as the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the Funds Actuary.

The purpose of this FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the desirability of maintaining as nearly constant employer contribution rates as possible as defined in Regulation 62(5) of the LGPS Regulations 2013;  
and
- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the fund are met; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain with its focus at all times on those actions which are in the best long-term interests of the Fund.

## 3. Funding Objectives and purpose of the Fund

The funding objectives of the Fund are:

- ~~within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the Funding Strategy Statement~~ to prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement;
- to recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible;
- to manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives;
- to maintain liquidity in order to ~~meet projected net cash-flow outgoings~~ ensure benefits can be met as and when they fall due over the lifetime of the Fund;

- [to adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations](#) to minimise unrecoverable debt on termination of employer participation; and
- to have consistency between the investment strategy and funding strategy; and
- to maximise returns within reasonable risk parameters.

The purpose of the Fund is to:

- Receive monies in respect of contributions, transfer values and investment income; and
- to maximise the returns from investments within reasonable risk parameters
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations 2013 (as amended) the Local Government Pension Scheme and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

[In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13\(4\)\(c\) of the Public Service Pensions Act 2013. Section 13\(4\)\(c\) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the Fund. The review also looks at compliance and consistency of the actuarial valuations.](#)

#### **4. Responsibilities of the key parties**

Although a number of parties, including investment fund managers, investment advisers and external auditors, have responsibilities to the Fund, the key parties for the strategy are seen as the Administering Authority, each individual employer and the Fund Actuary.

The Administering Authority is required to:

- operate a pension fund [in accordance with the LGPS Regulations](#);
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the LGPS Regulations;

- ~~invest surplus monie~~the Fund's assets in accordance with the ~~LGPS Regulations~~Investment Strategy Statement;
- pay from the Fund the relevant entitlements as stipulated in the LGPS Regulations
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the ~~regulations~~Regulations to safeguard the Fund against the consequences of employer default;
- manage the actuarial valuation process in consultation with the Fund Actuary;
- prepare and maintain an FSS and a ~~n Statement of Investment Principles (SIP)/~~ Investment Strategy Statement (ISS), both after consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/SIP(ISS) when necessary;
- effectively manage any potential conflicts of interests arising from its dual role as both fund administrator and scheme employer; and
- enable the local pension board to review the valuation process as set out in their terms of reference.

Each Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate in accordance with the LGPS regulations (Regulation 9);
- pay over all contributions, including their own as determined by the Fund Actuary and set out in the rates and adjustments certificate, promptly ~~by the due date~~within 19 days of the end of the month in which the amount was deducted from earnings;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits ~~and early retirement strain or~~ other additional costs such as additional strain on the Fund due to unreduced early retirement, in accordance with agreed policies and procedures;
- notify the Administering Authority promptly of all changes to active membership or, other changes proposed, which affect future funding;
- pay any exit payments on ceasing participation in the Fund; and
- complete year end procedures in a timely manner.

The Fund Actuary should:

- prepare valuations, including the setting of employers' contribution rates at a level to ensure solvency and long-term cost efficiency; after agreeing assumptions with the Administering Authority and having regard to the FSS and the LGPS Regulations;
- prepare advice and calculations in connection with bulk transfers and funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory costs etc;
- provide advice and valuations on the termination of admission agreements exiting of employers from the Fund;
- provide advice and valuations to the Administering Authority relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect on the Fund of employer default;
- assist the administering authority in assessing whether employer contributions need to be revised between valuations as required by the regulations; and
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fFund; and-
- provide advice on other actuarial matters affecting the financial position of the Fund.

## 5. Solvency issues and target funding levels

To meet the requirements of the Administration-LGPS Regulations the Administering Authority's long-term funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities. assessed on an ongoing basis including allowance for projected final pay. The actuarial assumptions to be used in the calculation of the funding target are set out in the Appendix.

Under Section 13(4) (c) of the Public Service Pensions Act 2013 The Government Actuary's Department (GAD) (as the person appointed by the responsible authority) must, following an actuarial valuation, report on whether the rate of employer contributions to the pension fund are set at an appropriate level to ensure the solvency of the pension fFund and long term cost efficiency of the scheme-LGPS so far as relating to the pension fund. Section 13 requires Funds to be compared with other Funds within the Scheme.

The key elements of the funding strategy include:

- the long-term aim is to achieve 100% funding of pension liabilities;
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term;

- to ensure the appropriate level of contributions are received to ensure solvency of the Fund;
- to minimise fluctuations in employers' contributions in order to assist them with their financial planning and to meet their financial responsibilities to the Fund where it is prudentially appropriate;
- although the membership profile has matured slightly since the last valuation in ~~2013-2016~~ the Fund can still take a long term perspective in setting the investment strategy;
- the Fund has a large number of employing bodies with different characteristics including size and strength of covenant.

The effective date of the current actuarial valuation of the Fund is 31 March ~~2016~~2019. The results of the valuation indicate that overall the assets of the Fund represented ~~89.97~~% of projected accrued liabilities at the valuation date based on the assumptions set out in the Appendix.

The Administering Authority after due consideration of ~~all of~~ the information available to it including consultation with the Fund Actuary and other interested parties, has adopted the following objectives to achieve the funding target:

- set employers' contribution rates to achieve 100% funding of liabilities in the long term;
- employer contribution rates will be made up of two separate elements:
  - primary rate, as a percentage of pensionable pay, to meet the costs of future service (payable no later than the 19<sup>th</sup> day of the month following the month of relevant payroll run); and
  - secondary rate, an amendment to the primary rate, expressed in most instances as a cash sum or in the case of pooled employers this is expressed as a percentage of contribution due, to recover any shortfall or reduce any surplus revealed by the actuarial valuation (payable as detailed in this Funding Strategy Statement) or to help with maintaining stability of contributions;

~~an ongoing rate, as a percentage of pensionable pay, to meet the costs of future service (payable no later than the 19<sup>th</sup> day of the month following the month of relevant payroll run); and~~

~~a deficit recovery contribution expressed in most instances as a cash sum, to recover any shortfall revealed by the actuarial valuation (payable as detailed in this Funding Strategy Statement);~~

- where an employer has an ongoing funding level above 100%, and cessation is on a 'least minimum' risk basis' payment towards the cessation debt will commence.

- the Fund will for the purpose of administration, the calculation of contribution rates and for the setting of maximum deficit recovery periods, continue to deal with town and parish councils (T&PC) as a pooled group.
- all Essex Academies participate within a single funding pool
- the Fund will set deficit recovery periods for the T&PC and Academies that as far as possible are likely to reduce the level of deficit during the inter-valuation period if all of the Actuary's assumptions prove correct.

A Town or Parish Council may defer a cessation valuation if the last member leaves the scheme but the Town or Parish Council is intending to offer the scheme to a new employee. This will be in agreement with the Fund and any deficit payments, as calculated by the Actuary, due by the Town or Parish Council must continue to be paid during the suspension period. Any suspension period will be time-limited and at the discretion of the Fund. Once the T&PC has an active member, the pooled contribution rate will be paid.

If there are no active members at the end of the suspension period or a Pool Member chooses to close scheme participation to new employees, then a cessation valuation will be carried out to determine an exit payment/credit and that employer would no longer be a Member of the Pool. This will protect the remaining Pool Members from the change of employer characteristics which apply after closure. If a T&PC becomes insolvent and is unable to meet their pension liabilities, then the Fund will, in the first instance, secure any payments required to meet these liabilities from any guarantor. If there is no guarantor, then these liabilities will fall to the T&PC pool.

- the administering authority may by written notice ('a suspension notice') to an exiting employer suspend that employer's liability to pay an exit payment for a period of up to 3 years subject to conditions in Local Government Pension Scheme regulation 64(2a-c).
- schools, including former grant maintained schools (but excluding Academies), will be treated as part of the local authority within whose area of responsibility they fall for the purpose of setting contribution rates and deficit recovery periods; any discretions in respect of these matters will fall to the local authority;
- from 1 April 2017 all Academies will be placed in a pool;
- in the event of an Academy conversion, the Fund Actuary will undertake a calculation of the assets and liabilities attributable to the preceding school(s). These assets and liabilities will then be migrated from the Local Authority to the Academy pool. Once in the Academy pool, the converted Academy will be allocated notional assets equal to the funding level of the pool;
- we will set objective and maximum deficit recovery periods for the remaining employers

- the agreed deficit recovery periods will be set at levels that safeguard the interests of the Fund by having regard to the Fund's judgement of the strength of covenant and the financial stability of individual employers;
  - individual employers will, at the discretion of the Fund and the Fund's Actuary, be able to increase their deficit recovery period up to the maximum deficit recovery period subject to providing assurance of greater strength of covenant and financial stability. (e.g. guarantor employer consent, provision of a bond, a deposit, a parent company guarantee or other surety);
- ~~• where a deficit recovery period greater than that of "average future working life" was applied at the 2013 valuation; the starting point for the deficit recovery period to be applied at the 2016 valuation is three years less than that previously applied. The Fund may, at its discretion, allow this three year period to be reapplied.~~

*Whilst a deficit exists, annual contributions will not normally be reduced. This may result in a shorter deficit recovery period than described above.*

**Objective and maximum deficit recovery periods for active employers (i.e. those employers with active members)**

Category	Employer	Example	Objective	Maximum
A	Scheduled - major tax raising bodies	District Council, Fire Authority	2013 deficit recovery period less three years	27 years
C	Scheduled - other. 2	Further & Higher education corporations	average remaining working life	12 years
D	Scheduled - other. 1	Further & Higher education corporations providing evidence of financial security to the satisfaction of the Essex Pension Fund	2013 deficit recovery period less three years	24 years
F	Transferee admission	Contractor	contract length	contract length
G	Community admission .1	Voluntary, not for profit, charities, housing associations	average remaining working life	average remaining working life
H	Community admission . 2	Employer providing evidence of financial security to the satisfaction of the Essex Pension Fund	average remaining working life	12 years
Pooled employers			Maximum Recovery Period	
B	Scheduled - Academies	Academies	24 years	
E	Resolution	Town / Parish Councils	24 years	
<p>1. The draft maximum deficit recovery periods are designed, where appropriate, to stabilise the amount of deficit contributions payable. It is not designed to allow for a reduction in contributions.</p> <p>2. In addition, mitigations may be adopted to allow for affordability and stability of contributions as well as for transition to revised policies. These may include the stepped introduction of revised contribution rates.</p> <p>3. The provision of financial security for Category H employers could include the agreement and provision of a guarantee by a Category A employer.</p> <p>4. While a deficit exists, annual contributions will not generally be reduced. This may result in a shorter deficit recovery period than the Objective.</p> <p>5. Contributions generally will not be reduced below the future service rate.</p> <p>6. Contributions are subject to the certification of the Fund Actuary.</p>				

Category	Employer	Example	Objective	Maximum
A	Scheduled - major tax raising bodies	District Council, Fire Authority, Police	2016 deficit recovery period less three years	21 years
C	Scheduled - other 2	Further & Higher education corporations	average remaining working life	12 years
D	Scheduled - other 2	Further & Higher education corporations providing evidence of financial security to the satisfaction of the Essex Pension Fund	2016 deficit recovery period less three years	21 years
F	Transferee admission	Contractor	contract length	contract length
G	community admission 1	Voluntary not for profit charities, housing associations	average remaining working life	average remaining working life
H	community admission 2	Employer providing evidence of financial security to the satisfaction of Essex Pension Fund	average remaining working life	12 years
<b>Pooled employers</b>				
B	Academies			20 years
E	Designated			21 years
<p>1. The draft maximum deficit recovery periods are designed, where appropriate, to stabilise the amount of deficit contributions payable. It is not designed to allow for a reduction in contributions</p> <p>2. In addition, mitigations may be adopted to allow for affordability and stability of contributions as well as for transition to revised policies.</p> <p>3. The provision of financial security for Category H employers could include the agreement and provision of a guarantee by a Category A employer.</p> <p>4. While a deficit exists, annual contributions will not generally be reduced. This may result in a shorter deficit recovery period than the objective.</p> <p>5. Contributions are subject to the certification of the Actuary.</p>				

~~The Town & Parish Council employers' contributions will be phased over the 3 year period 2017/18 to 2019/20.~~

- The 202017/2118, 202118/2219 and 202219/230 deficit amounts certified for each employer will reflect one of the following:
  - i. the actuarially assessed value of the annual deficit or respective payment to cessation paid in twelve equal instalments monthly in arrears with each payment being due by the 19th day of the following month; or

- ii. the actuarially assessed value of the annual deficit [or payment to cessation](#) paid in one lump sum payment prior to 30 April of the specified year; or
  - iii. the actuarially assessed value of i) or ii) for all three years paid in 36 or 3, respectively, equal instalments; or
  - iv. the actuarially assessed value of paying the deficit for three years in one lump sum payment prior to 30 April [2017/2020](#).
- Individual employers retain the freedom to
    - make a lump sum payment prior to 1 April [2017/2020](#), following agreement with the administering authority. The annual deficit amounts certified for financial years [2017/2020/2118](#), [202118/2219](#) and [202219/230](#) will reflect the actuarially assessed value of making this payment, either utilising the payment over the three years or over the deficit recovery period;
    - decide to repay their share of the deficit over a shorter period should they so choose; and
    - make additional payments to the Fund over and above the minimum employer contribution rates certified.

In determining the deficit recovery period(s) the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles;
- the need to balance a desire to attain the target as soon as possible against the major increases in the level of employers' contributions which a shorter period would require;
- section 13 of the Public Service Pensions Act 2013 to ensure employer contributions are set at an appropriate level to ensure the solvency of the Fund; and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

~~Where a category A employer allows an early retirement, for any reason other than ill health, that produces a strain cost, payment of the strain cost may be met either in the form of an immediate lump sum to the Fund, or by payment over two years to the Fund including interest;~~

Where an ~~category B-H employer allows~~ [employer allows](#) an early retirement, for any reason other than ill health, that produces a strain [on the Fund](#) cost, payment of the strain is to be met in the form of an immediate lump sum to the Fund.

Where an existing payment plan exists and the employer is ceasing full settlement will be required of any outstanding amounts before the final cessation date.

In all cases, the administering authority reserves the right to apply a different approach as its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole.

Levels of ill health will be monitored and will normally be reflected in assumptions at triennial valuations or sooner if deemed necessary

Employers that are able to and have closed the Scheme to new members or have had no new members in the previous two years to 31 March ~~2016~~2019, will have their employer contribution rate assessed on a closed basis at the triennial valuation.

Where an employer is able to and closes the Scheme to new members, between valuations, the employer contribution rate may be reassessed on a closed basis and a revised certificate issued.

### **Pooling of individual employers**

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics.

The funding pools adopted for the Fund at the 2019 valuation were all pooled for past and future service and are summarised in the table below.

Pool	Notes
Essex Schools (ECC, Schools including former GM schools)	Essex County Council pay primary rate and secondary contributions as monetary amounts while schools pay a total rate.
Southend Schools (Southend BC, Schools including former GM schools)	Southend-On-Sea Borough Council pay primary rate and secondary contributions as monetary amounts while schools pay a total rate.
Thurrock Schools (Thurrock BC, Schools including former GM schools)	Thurrock Borough Council pay primary rate and secondary contributions as monetary amounts while schools pay a total rate.
Academies	All academies in the pool are being stepped towards paying the same total contribution rate.
Police	Office of Police and Crime Commissioner and Essex Chief Constable pay the same primary rate and an equivalent secondary rate (as a percentage of payroll) as monetary payments.
Town & Parish Councils	All T&PCs pay the same contribution rate. Those T&PCs in a suspension period will be equivalent secondary contributions as monetary payments.
SLM	All SLM contracts in the pool pay the same total rate.
Essex Cares	All Essex Cares contracts in the pool pay the same total rate.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

- ~~In preparation for the cessation of an employer's participation in the Scheme:~~ **Termination of an employer's participation in the Scheme**

- ~~the future service rate and deficit recovery contribution may be reviewed by the Fund Actuary and amended if required;~~
- ~~all community admission bodies will be allowed flexibility to elect to adopt a funding approach prior to termination in line with the "least risk" exit debt basis, if that is their preference;~~
- ~~where a community admission body has an ongoing funding level above 100% payment shall commence towards termination in line with the "least risk" exit basis;~~

~~in certain circumstances, subject to satisfactory surety, a formal plan may be agreed between the Fund, the Fund Actuary and the Fund Employer, and if applicable the Transferor Scheme Employer to manage payment of deficit up to and beyond the termination date; and~~

~~in the case of charities the Fund and the Fund Actuary will work to achieve the best approach available without any detrimental impact to the running of the charity, but ensuring an agreed payment plan is reached to recover any deficit prudentially appropriate.~~

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the Administering Authority and the other parties involved that an alternative approach is permissible. For example:

- in certain circumstances, subject to satisfactory surety, a formal plan may be agreed between the Fund, the Fund Actuary and the Employer, and if applicable the Transferor Scheme Employer, to manage payment of deficit up to and beyond the termination date;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer;
- the employer's exit may be deferred subject to agreement with the Administering Authority, for example if it intends to offer Scheme membership to a new employee within six months of the last active member departing (employer payments will continue in the interim period to be agreed with the Fund); or
- in the case of charities the Fund and the Fund Actuary will work to achieve the best approach available without any detrimental impact to the running of the

charity, but ensuring an agreed payment plan is reached to recover any cessation prudentially appropriate.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence may be included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

~~On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer would be due to the Scheme as a termination contribution, unless it was agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer would be transferred within the Scheme to another participating employer. The basis of the termination valuation will be determined in consultation with the Fund Actuary.~~

- ~~▪ In certain circumstances, subject to satisfactory surety, a formal payment plan may be agreed between the Fund, the Fund Actuary and the Fund Employer, and if applicable the Transferor Scheme Employer.~~

### New admissions to the Fund

- All transferee admission bodies (i.e. "best value" contractors delivering services to scheme employers) will be accepted for admission into the Fund so long as all the necessary regulatory requirements for admission are satisfied, including those covering the assessment of the requirement for and provision of security to the satisfaction of the administering authority.

- In the case of a transferee admission body, or any participating employer acting as guarantor in the case of non-transferee admission bodies, implementation of an alternative funding basis or approach (including on termination) will be subject to agreement from the relevant guarantor body/scheme employer. Any special funding arrangements between the scheme employer and transferee admission body should be covered by the commercial arrangements, i.e. outside the Fund and not part of the admission agreement.
- ~~Community-Other~~ admission bodies will be accepted for participation in the Fund, ~~or otherwise~~, on a case by case consideration of the merits of admission and the associated risks to the Fund. In accordance, with regulatory requirements, a bond, indemnity, ~~or~~ guarantee will be required for all ~~community~~ admission body ~~cases~~, to the satisfaction of the administering authority.
- In the case where a contractor wishes to offer a broadly comparable scheme, rather than apply to become an admission body of the Fund, standardised bulk transfer terms will be offered via the Actuary's Letter. The letter will be structured so as to target an asset transfer to the contractor's Broadly Comparable scheme such that it is equivalent to 100% of the past service liabilities reserved for by the Fund in respect of the transferring members' accrued service as at the date of transfer. The Fund will only agree to any variations in the standard in exceptional circumstances and with the prior agreement of the transferring scheme employer.

## 6. Link to investment policy

Funding and investment strategy are inextricably linked. The Investment Steering Committee (ISC) has been delegated with responsibility for investment strategy. The key investment objectives are *"to ensure the investment strategy is consistent with the funding objectives"* and *"to maximise investment returns within reasonable risk parameters"*. The ISC determines investment strategy after taking professional advice.

## Investment Strategy

The Funds investment strategy statement is set out in the Fund's Statement of Investment Principles. This is available from [www.essexpensionfund.co.org.uk](http://www.essexpensionfund.co.org.uk) under forms and publications.

In setting the investment strategy the ISC takes account of both the current funding level and the relative maturity profile of the Fund (the relative proportion of liabilities in respect of active, deferred and pensioner members). The asset allocation determined by the ISC sets the proportion of assets to be invested in equities, bonds and alternative assets. The resulting structure reflects the ISC's views on the appropriate balance between maximising the long term return on investments and minimising risk. The strategy is set for the long term, but term but reviewed regularly.

The Fund's current investment strategy is as follows.

Equities			Bonds			Alternatives		
	Manager	Target %		Manager	Target %		Manager	Target %
UK	LGIM	5.0	Index-linked gilts	LGIM	2.0	Property	Aviva	12.0
Regional	LGIM	15.0	Active Cash plus	GSAM	5.5	Private equity	Hamilton Lane	4.0
	Marathon			M&G	5.5	Infrastructure	M&G	6.0
	M&G		-	-	-		Partners Group	
Global	Longview	35.0	-	-	-	Timber	Stafford	2.0
	Baillie Gifford		-	-	-	Loans	M&G	0.5
	RAFI		-	-	-	Direct Lending	Alcentra	-2.5
Emerging	First-State	5.0	-	-	-	-	-	-
<b>Total</b>		<b>60.0</b>	<b>Total</b>		<b>13.0</b>	<b>Total</b>		<b>27.0</b>

As part of the review of the Statement of Investment Principles, Investment Consultants Hymans Robertson conducted a review of the Fund's investment structure using their Asset Model (HRAM), the stochastic scenario generator developed by Hymans Robertson LLP, calibrated using market data as at 31 October 2014. The result was an expectation of a 6.4% p.a. return which rose to 7.2% with the inclusion of investment managers' outperformance.

## Asset Split

The Fund does not account for each employer's assets separately. The Fund's Actuary is required to apportion the assets of the Fund between the employers at each valuation.

## Consistency with Funding Basis

In the opinion of the Actuary, the current funding policy is consistent with both the investment strategy of the Fund, and the requirement to take a “prudent longer term view” of the funding of liabilities.

As at 31 March ~~2016~~ 2019 the discount rate used, in order to calculate the current value of future pension benefits payable is ~~5.14~~ 5.14.5%.

## 7. Identification of risks and counter-measures

Awareness of the risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks.

The funding of defined benefits is by its nature uncertain. The funding strategy is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial valuation and beyond. This may require a subsequent contribution adjustment to bring the funding back into line with the target.

At the time of drafting this FSS, it is still unclear how the impact of the McCloud/Sargent judgement will affect current and future LGPS benefits. Detail on how this has been allowed for in the 2019 valuation is given in the Appendix.

The Administering Authority has itself undertaken an exercise to identify those risks that are specific to the Fund and the measures to be taken to counter those risks.

The Funds full risk register is available from [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk).

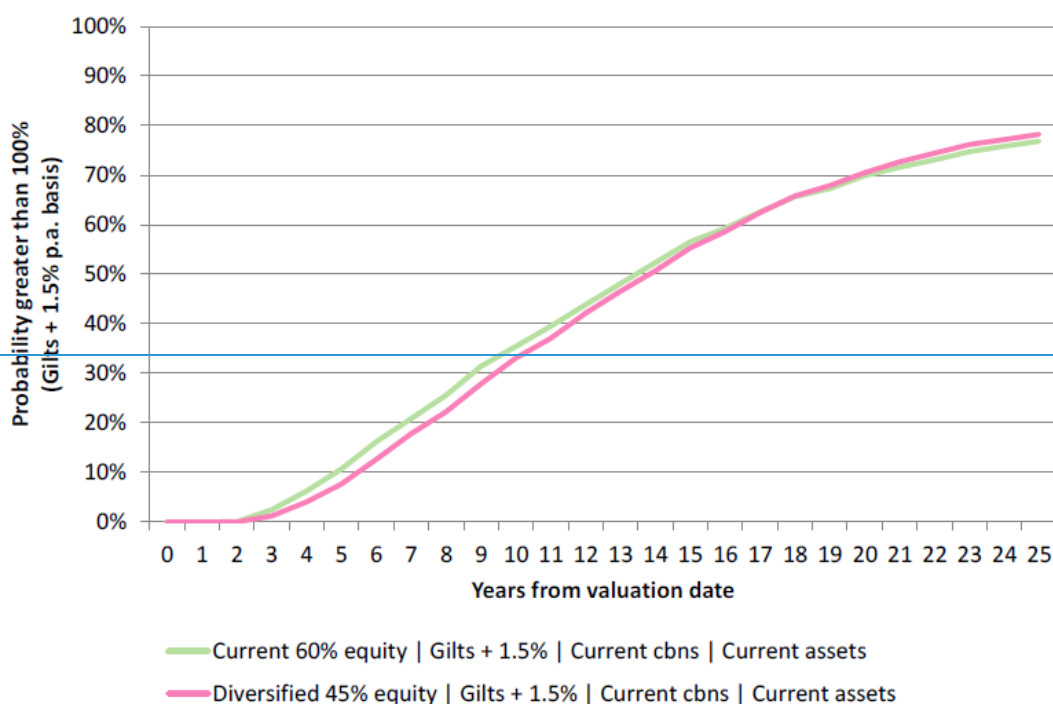
### **Impact of investment strategy**

~~In autumn 2017 the Investment Steering Committee considered an Asset Liability Study (ALS).~~

~~In the chart below, the green line highlights the current investment strategy. The ALS indicates that there is a 50/50 chance that the Fund has recovered the current deficit by 2029. There is a c. 75% chance that the deficit will be eliminated by the end of 25 years under the current funding plan.~~

~~The pink line represents a revised strategy, with which the ISC has agreed in principle and to which the ISC expects to migrate over the next two years. This strategy reduces equity allocation from 60% to 45% with the majority of assets being reinvested in alternatives.~~

~~As can be seen, the probabilities of success remain broadly the same given alternatives are expected to generate broadly the same level of return as equity. However, this is expected to reduce risk through further diversification of the equity allocation.~~



The Administering Authority has itself undertaken an exercise to identify those risks that are specific to the Fund and the measures to be taken to counter those risks.

The resultant risk assessment is attached to this FSS as Schedule A

## 8. Monitoring and Review

In preparing this statement, the Administering Authority and the Essex Pension Fund Board has taken advice from Barnett Waddingham, the Fund Actuary, and has also consulted with its institutional investment advisers Hymans Robertson, and its independent investment adviser Mark Stevens.

A full review of this [Statement](#) will occur no less frequently than every three years, to coincide with completion of [the current a](#) full actuarial valuation [cycle](#). Any review will take account of the then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the [current](#) triennial valuation process), for example:

- if there has been a significant change in market conditions and/or deviation in the progress of the funding strategy;
- if there have been significant changes to Fund membership, or LGPS benefits;
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy; and

- if there have been any significant special contributions paid into the Fund.

DRAFT

**Essex Pension Fund  
Risk Register**

DRAFT

Essex Pension Fund Risk Register										
Risk Area: Essex Pension Fund		Date: 05/09/2016								
Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
<b>Funding Risks</b>										
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F1	Investment markets perform below actuarial assumptions resulting in reduced assets, reduced solvency levels and increased employer contributions	4	2	8	Use of a diversified portfolio which is regularly monitored against targets and reallocated appropriately. At each triennial valuation assess funding position and progress made to full funding. Full annual interim reviews to enable consideration of the position. A specific scorecard measure is in place on this matter.	2	2	4
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	4	3	12	Annual interim reviews to enable consideration of the position and the continued appropriateness of the funding/investment strategies and to monitor the exposure to unrewarded risks	3	3	9
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F3	Investment managers fail to achieve performance targets (i.e. ensure funding target assumptions are consistent with funding objectives) which reduces solvency levels and increases required in employers' contributions	3	3	9	Diversified investment structure and frequent monitoring against targets with potential for a change of managers where considered appropriate.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F4	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	3	3	9	Monitoring of mortality experience factors being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F5	Frequency of early retirements increases to levels in excess of the actuarial assumptions adopted resulting in increases required in employers' contributions	3	3	9	Employers required to pay capital sums to fund costs for non-ill health cases. Regular monitoring of early retirement (including on the grounds of ill health) experience being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis. Ensure that employers are made aware of consequences of their decisions and that they are financially responsible.	2	2	4

# Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund

Date: 05/09/2016

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
<b>Funding Risks</b>										
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F6	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	4	3	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4
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	4	3	12	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.	3	2	6
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F8	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	3	2	6	At each triennial actuarial valuation an analysis is carried out to ensure that the assumptions adopted are appropriate and monitor actual experience. Discussions with employers over expected progression of pay in the short and long term.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F9	Potential for significant increases in contributions to levels which are unaffordable. Ultimate risk is the possibility of the employers defaulting on their contributions	3	3	9	Risk profile analysis performed with a view on the strength of individual employer's covenant being formed when setting terms of admission agreement (including bonds) and in setting term of deficit recovery whilst attempting to keep employers' contributions as stable and affordable as possible. Pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F10	Adverse changes to LGPS regulations resulting in increases required in employers' contributions or Fund cash flow requirements.	4	2	8	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3

# Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund

Date: 05/09/2016

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F11	Adverse changes to other legislation, tax rules, etc. resulting in increases required in employers' contributions	3	2	6	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F12	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning that the individual employer's contribution level becomes inappropriate requiring review and increase	3	3	9	Ensure that employers are reminded of their responsibilities, monitor and send reminders of employers responsibilities re this where appropriate, investigate the adoption of an administration strategy to clarify employer responsibilities. Employer analysis work and officer dialogue with employers concerned (including guarantors as appropriate)	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F13	Not recognising opportunities from changing market, economic or other circumstances (e.g. de-risking or strengthening of covenant)	3	3	9	At each triennial valuation pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F14	Adoption of either an inappropriately slow or rapid pace of funding in the specific circumstances for any particular employer	3	4	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F15	Failure to ensure appropriate transfer is paid to protect the solvency of the Fund and equivalent rights are acquired for transferring members in accordance with the regulations.	2	3	6	Follow the standardised approach to bulk transfers of liabilities as part of admission policy framework, complying with any statutory requirements and protecting the interests of the Fund's employers by measuring the solvency of the Fund and relevant employers before and after transfer.	2	1	2

Essex Pension Fund Risk Register										
Risk Area: Essex Pension Fund		Date: 05/09/2016								
Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	To have consistency between the investment strategy and funding strategy	F16	Over or under cautious determination of employer funding requirements due to the impact of the investment strategy on funding	3	3	9	Measurement will look at expected return projections vs actuarial assumptions in order to test the continued appropriateness and consistency between the funding and investment strategy.	2	2	4
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F17	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements	2	1	2
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F18	Unanticipated onset of cash-flow negative position, potentially requiring ad hoc repositioning of assets	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements. In Spring 2015 the ISC agreed to divert a portion of UK equity dividend income (L&G) & property rental income (AVIVA) to supplement contribution income in order to meet pension benefit expenditure.	2	1	2
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	4	3	12	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	3	2	6

# Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund

Date: 05/09/2016

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
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	4	3	12	Assess the strength of individual employer's covenant in conjunction with the Actuary and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive	3	2	6
							dialogue with employers with a view to strengthening employer covenants wherever possible			
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)	4	3	12	Communications with both Employers and Employees over the benefits of the LGPS, both before and after any structural change. In July 2011, following discussion on liquidity and fund maturity, the ISC set a 27% limit on exposure to alternative assets.	3	2	6

**Detailed assumptions used in calculating the funding target**

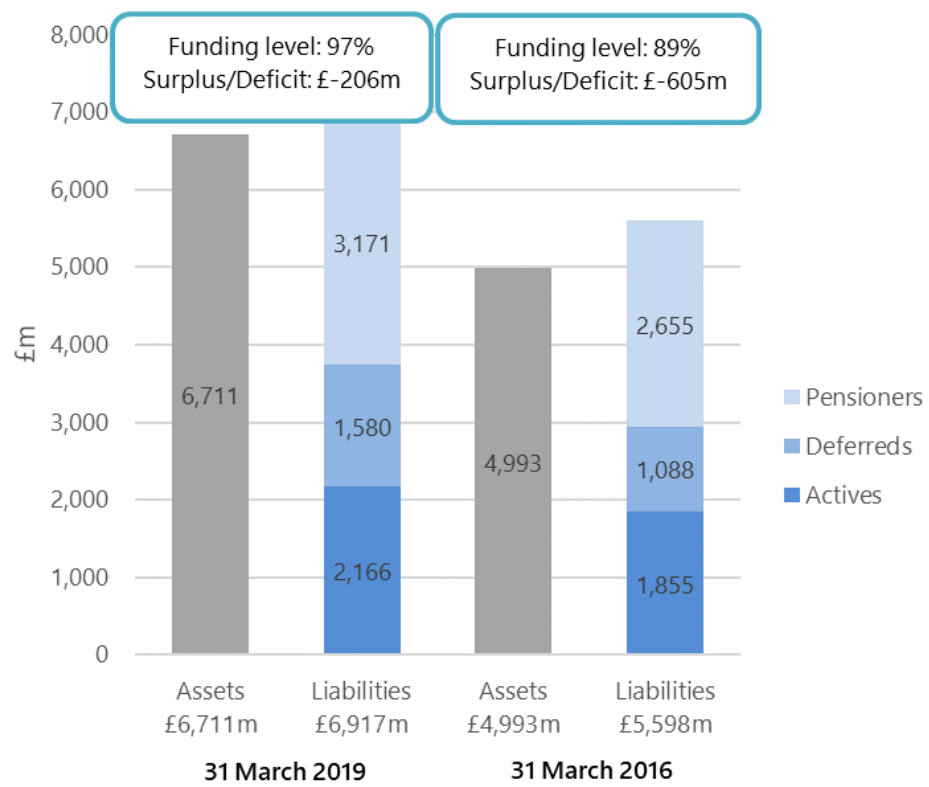
At the time of drafting this FSS, it is still unclear how the impact of the McCloud/Sargent judgement will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to cover the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was included in the prudence allowance in the discount rate assumption. As the remedy is still to be decided the cost cannot be calculated with any certainty. However, the Fund Actuary expects the cost is likely to be less than the impact of reducing the discount rate assumption by 0.1%.

<u>Assumptions</u>	<u>Assumption used for 2019 valuation</u>	<u>Assumptions used for the 2016 valuation</u>
<u>Financial assumptions</u>	-	-
<u>Market date</u>	<u>31 March 2019</u>	<u>31 March 2016</u>
<u>CPI inflation</u>	<u>2.6% p.a.</u>	<u>2.4% p.a.</u>
<u>Salary increases</u>	-	-
<u>Short-term</u>	<u>n/a</u>	<u>CPI to 31 March 2020</u>
<u>Long-term</u>	<u>3.6% p.a.</u>	<u>3.9% p.a.</u>
<u>Discount rate</u>	<u>4.5% p.a.</u>	<u>5.1% p.a.</u>
<u>Pension increases on GMP</u>	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reach SPA after this date, we have assumed that Funds are required to pay the entire inflationary increases	
-	-	-
-	-	-
<u>Assumptions</u>	<u>Assumption used for 2019 valuation</u>	<u>Assumptions used for the 2016 valuation</u>
<u>Demographic assumptions</u>	-	-
<u>Post-retirement mortality</u>	<u>Male / Female</u>	<u>Male / Female</u>
<u>Member base tables</u>	<u>S3PA</u>	<u>S2PA</u>
<u>Member mortality multiplier</u>	<u>110% / 115%</u>	<u>105% / 100%</u>
<u>Dependant base tables</u>	<u>S3DA</u>	<u>S2PA</u>
<u>Dependant mortality multiplier</u>	<u>95% / 105%</u>	<u>105% / 100%</u>
<u>Projection model</u>	<u>CMI 2018</u>	<u>CMI 2015</u>
<u>Long-term rate of improvement</u>	<u>1.25% p.a.</u>	<u>1.5% p.a.</u>
<u>Smoothing parameter</u>	<u>7.5</u>	<u>n/a</u>
<u>Initial addition to improvements</u>	<u>0.5% p.a.</u>	<u>n/a</u>
-	-	-
<u>Retirement assumption</u>	<u>Weighted average of each tranche retirement age</u>	
<u>Pre-retirement decrements</u>	<u>GAD 2019 scheme valuation with no salary scale, 50% IH decrement, 105% of pre-retirement mortality table</u>	<u>GAD 2013 scheme valuation</u>
<u>50:50 assumption</u>	<u>Member data</u>	<u>Member data</u>
<u>Commutation</u>	<u>50% of maximum</u>	<u>50% of maximum</u>
<u>% members with qualifying dependant</u>	<u>75% / 70%</u>	<u>75% / 70%</u>
<u>Age difference</u>	<u>Males are 3 years older</u>	<u>Husbands are 3 years older</u>

<u>Past service funding position</u>	<u>Proposed basis</u> <u>31 March 2019</u> <u>£m</u>	<u>Previous valuation</u> <u>31 March 2016</u> <u>£m</u>
<u>Smoothed asset value</u>	<u>6,711</u>	<u>4,993</u>
<u>Past service liabilities</u>	-	-
<u>Actives</u>	<u>2,166</u>	<u>1,855</u>
<u>Deferred pensioners</u>	<u>1,580</u>	<u>1,088</u>
<u>Pensioners</u>	<u>3,171</u>	<u>2,655</u>
<u>Total Liabilities</u>	<u>6,917</u>	<u>5,598</u>
<u>Surplus (Deficit)</u>	<u>-206</u>	<u>-605</u>
<u>Funding level</u>	<u>97%</u>	<u>89%</u>

The table below outlines the agreed financial and statistical assumptions as discussed at the meeting on 14 September 2016.

<b>Financial assumptions</b>		<b>31 March 2016</b> <b>% p.a.</b>	<b>31 March 2013</b> <b>% p.a.</b>
Discount rate		5.1%	5.8%
Pay increases	Long-term	3.9%	4.5%
	Short-term	CPI for period from 31 March 2016 to 31 March 2020	In line with CPI for period from 31 March 2013 to 31 March 2015
Retail Price Inflation (RPI)		3.3%	3.5%
Consumer Price Inflation (CPI)		2.4%	2.7%
Pension increases		2.4%	2.7%



Demographic assumptions		
	31 March 2016	31 March 2013
Pre-retirement mortality - base table	GAD tables (updated)	GAD tables
Post-retirement mortality (member) - base table	S2PA tables with a multiplier of 105% for males and 100% for females	S1PA tables
Post-retirement mortality (dependant) - base table	S2PA tables with a multiplier of 100% for female dependants and 105% for male dependants	S1PA tables
Allowance for improvements in life expectancy	2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.
Promotional salary scale	GAD tables (updated)	GAD tables
Allowance for early retirements (ill health)	GAD tables (updated)	GAD tables
Allowance for withdrawals	GAD tables (updated)	GAD tables
Allowance for cash commutation	Members will commute pension at retirement to provide a lump sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	Members will commute pension at retirement to provide a lump sum of 60% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
Allowance for 50:50 membership	Based on members' current section	10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse	Males are three years older than their spouse and females are three years younger than their spouse
Proportion married	There is an 75%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

## Results

Using these assumptions the results of the valuation for the Fund are as follows:

Past service funding position	
	Final basis 31 March 2016 £m
<b>Smoothed asset value</b>	4,993
<b>Past service liabilities</b>	
Actives	1,855
Deferred pensioners	1,088
Pensioners	2,655
Total	5,598
<b>Surplus (Deficit)</b>	<b>(605)</b>
<b>Funding level</b>	<b>89%</b>

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04</b>
<b>Date: 04 March 2020</b>	

## **Update on Pension Fund Activity**

Report by the Compliance Manager

Enquiries to Amanda Crawford 03330 321763

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

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

- 2019/20 Business Plan;
- Risk Management; and
- Scorecard.

### **2. Recommendations**

2.1 That the Board note:

- the progress against the 2019/20 Business Plan;
- the current risks within the Risk Register 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 2019/20 Business Plan at Appendix A;
- risks from the Risk Register with a residual score of six or above are detailed at Appendix B; and
- the full Scorecard is attached at Appendix C.

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

4.1 Matters subject to separate agenda items include:

- Actuarial Valuation (Agenda item 03);
- Essex Pension Fund Policies (Agenda item 06);
- Arrangements for PSB Representatives (Agenda item 08);
- Quarterly report from Investment Steering Committee (Agenda item 09);
- PAB Quarterly Report (Agenda item 10); and
- Pooling update (Agenda item 14).

### **5. Business Plan 2019/20**

5.1 Of the 12 Actions for 2019/20:

- 0 (0%) not started;
- 5 (41.7%) in progress and carried forward to 2020/21,
- 5 (41.7%) complete subject to approval at 4 March 2020 PSB meeting and will be finalised by 31 March 2020; and
- 2 (16.6%) have been completed.

5.2 Details against each action have been provided at Appendix A.

### **6. Risk Register**

6.1 As at end December 2019, there were 46 risks in the Fund's risk register of which 18 (this has reduced from 21 reported in the last quarter) had a residual score of 6

or more (amber), and 2 (this has increased from 1 reported in the last quarter) had a residual score of 12 (red) and are shown at Appendix B.

- 6.2 The risk in regard to the McCloud case continues to be reported as red, due to the impact this may have on the administration within the Fund.
- 6.3 The new reported red risk is in relation to the ECC procurement of the BACS Cloud solution. This matter is currently ongoing with the Interim Director for Essex Pension Fund and the Director of Finance and Procurement sharing ownership of the project to ensure that the system is in place to allow pensioner payments to be made when they are due.

## **7. Revised Risk Strategy**

- 7.1 ECC have developed and published a revised Risk Strategy during January 2020. Fund Officers will be working to align their current Risk Register to the revised Risk Strategy. In addition, Fund Officers will also be working to produce their own Risk Strategy, which will align to that of ECC's, for approval by the Board at a future meeting.

## **8. Scorecard**

- 8.1 The Scorecard is shown at Appendix C.
- 8.2 Measure 1.2.1 is still scored as amber showing PSB training achieving 78%, an increase from 77% that was reported last quarter against a target of 90%. However, the Training Strategy will be reviewed by Fund Officers in consultation with the Independent Governance & Administration Adviser (IGAA) during 2020/21.
- 8.3 Measure 1.2.2 has decreased to an amber score relating to Board Member attendance achieving 73% against a target of 80%.
- 8.4 Measure 1.5.3 and 1.5.4 are still both scored as red. This is due to more than 20% of the Fund's risks scored as amber (39% reduced from 46% reported during the last quarter) and more than 0% being scored as red (4% increased from 2% reported in the last quarter). Further details have been provided at section 6 and Appendix B of this report.
- 8.5 Measure 2.2.2 is still scored as amber showing ISC training achieving 85%, an increase from 84% that was reported last quarter against a target of 90%. However, as stated in 8.2.

8.6 The annual updates in section 4.1 have been provided against CIPFA benchmarking statistics.

- 4.1.1 and 4.1.2 – transfer factors were changed during 2018-19 which meant the Fund had to stop processing transfers in and out while the new factors were finalised and published. Thus, resulting in the Fund not achieving the 10-working day turnaround time. However, the Fund has exceeded the CIPFA average of 83.8%.
- 4.1.8 – deferred benefits issued within 10 working days remains amber but has improved from 87.9% to 90% since the previous year. The Fund has exceeded the CIPFA average of 75.3%.
- 4.1.11 and 4.1.12 – these measures are no longer being benchmarked by CIPFA and therefore are shown as grey.

## **9. Revised Scorecard**

9.1 Fund Officers have been working with the IGAA to develop a revised Scorecard which will include revised measures, revised targets and a new template.

9.2 Fund Officers consulted the Chairman and Vice Chairman of the Board to establish which template would be more suitable for the Board to receive at their meetings. In addition, the measures are in progress of being reviewed by Fund Officers, in consultation with all Advisers.

9.3 The new Scorecard with revised measures will be brought to a future meeting during 2020/21.

## **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; and
- Continually measure and monitor success against our objectives.

## **11. Risk Implications**

11.1 Key risks are identified at Appendix 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 There are no financial implications for the Business Plan for 2019/20.

## **14. Background Papers**

- 14.1 Update on Pension Fund Activity, PSB 08, 18 December 2019.



## Essex Pension Fund Business Plan 2019/20

### 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, ensuring efficiency at all times.
- Act with integrity and be accountable to our stakeholders.
- Understand and monitor risk and compliance.
- Continually measure and monitor success against our objectives.
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
1. Further roll out of training and training needs assessments	Further roll out of training and training needs assessments;  training & training needs assessments will continue in 2019/20; and  a revised training strategy and training plan is to be developed	Fund officers / IGAA	In progress	This has been included within the 2020/21 Business Plan and progress will be reported to the Board on a quarterly basis.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
2. Annual review of governance policy	<p>Annual review of governance policy; review governance policy to ensure it is relevant and up to date, including the governance compliance statement; and</p> <p>ToRs for all Boards/Committee to be reviewed.</p>	DfEPF, CM & IGAA	The Governance Policy and Compliance Statement has been reviewed. The Agenda for the 4 March 2020 PSB includes an item on this matter.	This has been included within the 2020/21 Business Plan and will be reviewed annually.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
3. Annual review of Pension Fund Board	<p>Annual review of Pension Fund Board;</p> <p>review of Pension Fund Board membership; and</p> <p>review the effectiveness of the Pension Fund Board and the services supplied to it.</p>	DfEPF, CM & IGAA	<p><u>PAB update</u> The PAB review is now complete.</p> <p><u>PSB/ISC update</u> The PSB Other Employing Bodies representative nomination is due to close 29 February 2020.</p> <p>The PSB Scheme Member representative (UNISON) has been confirmed.</p>	<p><u>Review of Effectiveness</u> The IGAA will commence a review of effectiveness of the Boards once the changes have been embedded.</p>

## 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 25 February 2020	2020/21 Business Plan
4. Review of asset allocation	Review of asset allocation;  Review of asset allocation as part of the strategy & structure deliberations at the ISC strategy meetings.	DfEPF & IM	Complete for 2019/20	This has been included within the 2020/21 Business Plan.  The Review of asset allocation forms part of the strategy & structure deliberations at the ISC strategy meetings
5. Implement any review of investment allocation arrangement	Implement any review of investment allocation arrangement;  and implement any decisions taken by the ISC in light of the Asset Liability Study.	DfEPF & IM	In progress:  Any asset allocation decisions made by the ISC will be implemented as required during 2019/20.	This has been included within the 2020/21 Business Plan.  Implement any review of investment allocation arrangement; and any decisions taken by the ISC in light of the Asset Liability Study.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
6. Review the Investment Strategy Statement (ISS)	Review the Investment Strategy Statement (ISS).	DfEPF & IM	<p>In progress:</p> <p>The ISC have concluded their review on three of the four areas of the ISS.</p> <p>At 19 February 2020 meeting the RI Policy was agreed. The Policy will now be shared with the Fund's Investment Managers for comment. Feedback will be brought back to the March ISC meeting.</p>	This has been included within the 2020/21 Business Plan. It is anticipated that the ISS will be consulted upon during the summer.
7. Respond to the requirements of LGPS structural reform process	<p>Respond to the requirements of LGPS structural reform process;</p> <p>developments in relation to LGPS structural reform will be monitored; and</p> <p>this will remain in the business plan until transition of assets is complete.</p>	DfEPF & IM	<p>In Progress:</p> <p>This is continually monitored by Officers and periodic updates are reported to both PSB and ISC.</p>	This has been included within the 2020/21 Business Plan and progress will be reported to the Board on a quarterly basis.

## Funding

### Objectives

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

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
8. Actuarial Valuation as at 31 March 2019	<p>Actuarial Valuation as at 31 March 2019;</p> <p>an actuarial valuation will be commissioned from the Fund Actuary; and</p> <p>the various processes of the Valuation will take place throughout 2019/20.</p>	DfEPF & EM	<p>In progress:</p> <p>Actuarial Valuation total Fund results were presented at September's PSB meeting and an update was provided at the December PSB meeting.</p> <p>The Agenda for the 4 March 2020 PSB includes an item to finalise this process.</p>	The Triennial Valuation of the Fund is included in the new Three-Year Business Plan.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
9. Review Funding Strategy Statement	Review Funding Strategy Statement as part of 2019/20 actuarial valuation process.	DfEPF & EM	<p>In progress:</p> <p>This is being reviewed in conjunction with the Valuation Results and is currently out for consultation.</p> <p>The Agenda for the 4 March 2020 PSB includes an item to finalise this process.</p>	This has been included within the 2020/21 Business Plan and will be reviewed as and when required.

## Administration

### Objectives:

- Deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need;
- Ensure contribution income is collected from the right people at the right time in the right amount;
- Ensure benefits are paid to the right people at the right time in the right amount; and
- Ensure the Fund employers are aware of and understand their roles and responsibilities, and carry out their functions in line with legislation, guidance and the Fund's agreed policies and procedures.

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
10. Implementation of UPM (administration system)	Ongoing phased implementation of UPM (administration system);  Member, Employer and Retire online	SM	In progress:  To date 46,000 (31%) individual scheme members have been invited to use " <i>Member online</i> " of whom 13,500 (29.35%).  250 Employers have registered and are using " <i>Employer online</i> ".  Officers on the Systems Team are exploring " <i>Retire online</i> ".	This has been included within the 2020/21 Business Plan and progress will be reported to the Board on a quarterly basis.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
11. Confirmation of GMP (Guaranteed Minimum Pension) entitlement	Confirmation of GMP entitlement; confirming the GMP (Guaranteed Minimum Pension) element of all scheme members'; and will remain ongoing until the project is completed.	THM	Project complete and will now form part of business as usual.	Not applicable.

## Communications

### Objectives:

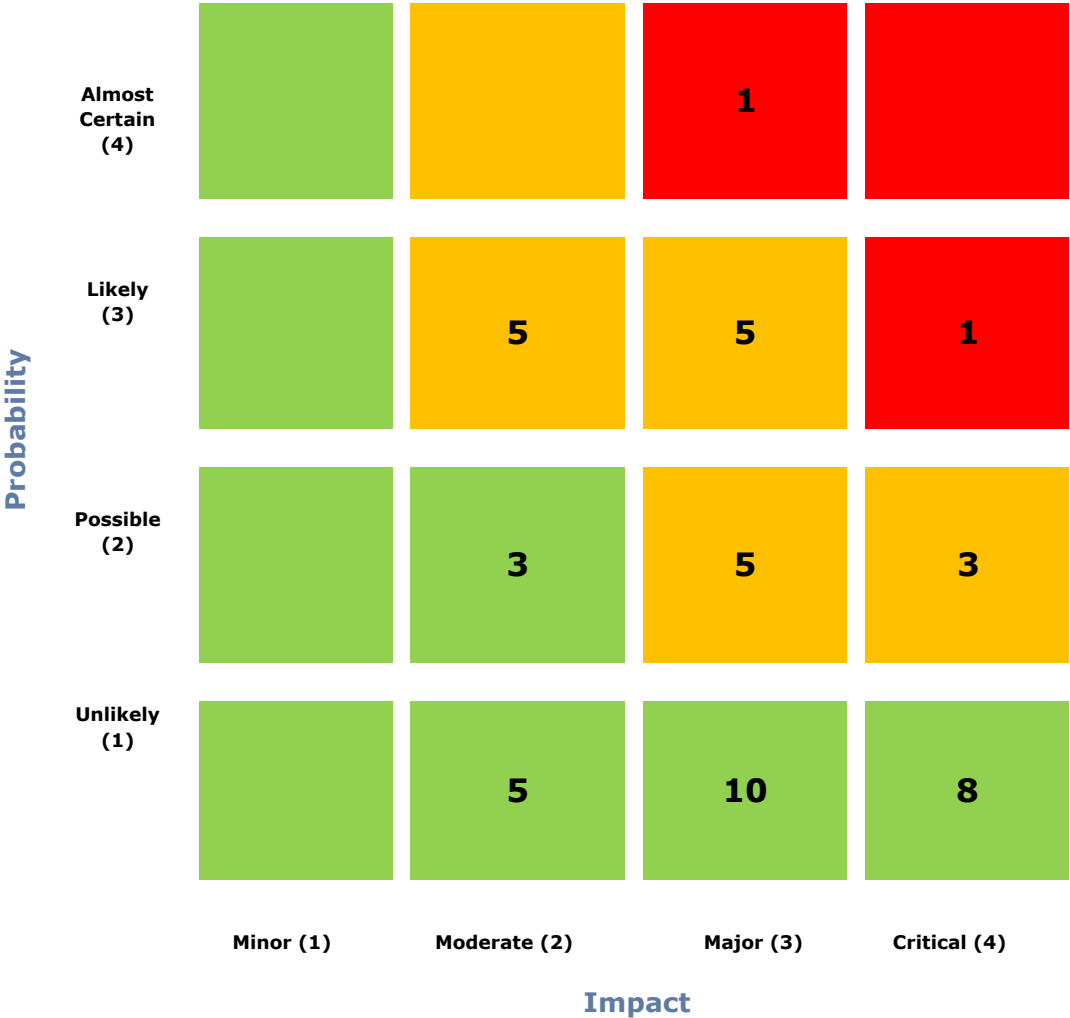
- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally;
- Ensure our communications are useful and easy to follow;
- Deliver information in a way that suits all types of stakeholders including providing more accessibility through greater use of technology;
- Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all the scheme members, prospective scheme members and employers.

Action	How will this be achieved?	Officer managing action*	Progress as at 25 February 2020	2020/21 Business Plan
12. Monitor Communications Policy	Monitoring of the Communications Policy;  and the communications policy will be reviewed during 2019/20.	THM	Awaiting PSB approval:  The Communications Policy has been reviewed.  The Agenda for the 4 March 2020 PSB includes an item on this matter.	This has been included within the 2020/21 Business Plan and will be reviewed triennially or as required.

\*Officer Managing Action: DoEPF - Director for Essex Pension Fund; CM – Compliance Manager; IM – Investment Manager; EM – Employer Manager; SM – Systems Manager; THM – Technical Hub Manager; and IGAA - Independent Governance & Administration Adviser.

Heatmap (Current Rating)

Essex Pension Fund



Current Rating	Risk Ref	Risk Details	Risk Owner	Controls/Mitigations
12	G14	<p>Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> <li>- Academisation of Schools, the possibility of MAT breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk;</li> <li>- Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have;</li> <li>- SCAPE rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions;</li> <li>- Increased centralisation of the LGPS and HMT taking all the assets / structural change;</li> <li>- GMP equalisation resulting in potentially additional costs and/or administration;</li> <li>- National Pensions Dashboard resulting in major changes to data provision;</li> <li>- Separation of the Fund from the Administering Authority;</li> <li>- Government intervention in Fund asset allocation decisions.</li> </ul>	Sara Maxey	<ol style="list-style-type: none"> <li>1. Regular communications with schools to understand their intentions.</li> <li>2. EPF and their Advisors are actively involved in the development of the LGPS.</li> <li>3. EPF monitor the current and new regulations and correspondence from MHCLG and LGA.</li> <li>4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds.</li> <li>5. EPF utilise the expertise of their Independent Administration and Governance Advisor (IGAA).</li> </ol>
12	A3	<p>Failure to maintain proper records leading to inadequate data resulting in failure to pay the correct pensions to the right people at the right time.</p>	Daniel Chessell /Holly Gipson	<ol style="list-style-type: none"> <li>1. Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out.</li> <li>2. EPF ensure the System is tested regularly to ensure compliance with regulations.</li> <li>3. Robust checking and validation of data takes place in calculations and receipt of information from employers.</li> <li>4. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications.</li> <li>5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.</li> <li>6. Liaise with ECC Supplier and Service team to ensure ECC BACS system is secure, reliable and up-to-date with required software on an ongoing basis. There is reliance on ECC BACS software solution to ensure payroll is completed at the right time.</li> </ol>

9	G3	A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables.	Amanda Crawford	<ol style="list-style-type: none"> <li>1. Training Plan is in place.</li> <li>2. PSB/ISC/PAB Members have to complete CIPFA modules 1-8 on a two-year cycle.</li> <li>3. Immediate induction training for new members.</li> <li>4. Training plan is reviewed/adapted to reflect changes within LGPS.</li> <li>5. EPF use advisors i.e. IGAA to provide relevant information and recommendations.</li> <li>6. Progress made against training plan is recorded and monitored.</li> <li>7. Mechanisms are in place to recruit vacancies as they arise.</li> </ol>
9	F2	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	Sara Maxey	<ol style="list-style-type: none"> <li>1. Longevity analysis is conducted by the Actuary at each valuation.</li> </ol>
9	F6	<p>"Failure to:</p> <ul style="list-style-type: none"> <li>- recognise a weakening (strengthening) in an employer's covenant;</li> <li>- lack of, or inaccurate, information about an employer;</li> </ul> <p>leads to an inappropriate funding approach in respect of that employer"</p>	Sara Maxey	<ol style="list-style-type: none"> <li>1. EPF monitors and send reminders of employer's responsibilities.</li> <li>2. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis.</li> <li>3. A risk analysis is conducted at each triennial valuation.</li> <li>4. Use of bonds and guarantees.</li> <li>5. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.</li> </ol>
9	F9	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee leads to unrecoverable debt and residual liability falls on remaining employers.	Sara Maxey	<ol style="list-style-type: none"> <li>1. New employers joining the Fund are required to meet the Funds expectations, covenant, security and guarantee as set out in the Funding Strategy.</li> <li>2. Existing employers are required to meet the Funding Strategy and Actuarial Valuation obligations.</li> <li>3. Monitoring of bonds and ongoing monitoring of Employer covenant.</li> </ol>
9	I1	The total Fund Investment return does not meet expectations which could lead to underfunding.	Samantha Andrews	<ol style="list-style-type: none"> <li>1. EPF Investment Strategy is reviewed and monitored on a regular basis.</li> <li>2. Monitoring of: investment manager performance; market conditions. Performance of both assets and liabilities is monitored periodically.</li> </ol>
8	G16	Failure to comply with GDPR and keep data secure, leading to reputational issues or legal/financial penalties	Jody Evans	<ol style="list-style-type: none"> <li>1. EPF conduct a System back-up to protect against data loss.</li> <li>2. EPF ensure data encryption and password protection.</li> <li>3. Continuous staff training on data protection/GDPR.</li> <li>4. All information security breaches are reported and any systematic issues identified and corrected.</li> <li>5. EPF ensure use of file transfer protocol.</li> </ol>
8	A6	Unable to meet statutory requirements due to poor employer data	Sara Maxey	<ol style="list-style-type: none"> <li>1. Administration Strategy is in place which confirms responsibilities, details points of contact with reference to the website for further information, timescales etc.</li> <li>2. Administration Strategy is reviewed on a regular basis in consultation with Employers where changes are made</li> <li>3. EPF communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes.</li> <li>4. EPF conducts year-end data cleansing.</li> </ol>

6	G6	Insufficient time and focus taken to look for opportunities	Jody Evans	<ol style="list-style-type: none"> <li>1. Management Team regularly attend appropriate conferences/events/forums.</li> <li>2. Advisors keep EPF team up-to-date on opportunities.</li> </ol>
6	G9	Failure to undertake business as usual service due to events outside of EPF control resulting in loss of service provision	Amanda Crawford	<ol style="list-style-type: none"> <li>1. EPF Business Continuity Plan (BCP) in place.</li> <li>2. EPF BCP regularly tested including call cascades and desk-top exercises.</li> <li>3. Testing is recorded and monitored.</li> <li>4. ECC also exercise their BCP which includes EPF.</li> </ol>
6	F1	Failure to set and collect contributions sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement	Sara Maxey	<ol style="list-style-type: none"> <li>1. At each triennial valuation, assess funding position and progress made to full funding.</li> <li>2. Full annual interim reviews to enable consideration of the position.</li> <li>3. A specific Scorecard measure is in place on this matter. Current measure 4.3.2 - % of contributing employers submitting timely payments.</li> <li>4. Work with Employers to ensure they understand their responsibilities.</li> <li>5. Year-end reconciliation of Member data.</li> </ol>
6	F4	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	Sara Maxey	<ol style="list-style-type: none"> <li>1. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis.</li> <li>2. A risk analysis is conducted at each triennial valuation by the Funds Actuary.</li> <li>3. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.</li> </ol>
6	F5	Pay and price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	Sara Maxey	<ol style="list-style-type: none"> <li>1. EPF carries out an analysis at each triennial actuarial valuation to ensure that the assumptions adopted are appropriate and monitor actual experience.</li> <li>2. Discussions with employers over affordability and pay policy are held.</li> <li>3. Discretions Policy to control discretionary costs.</li> </ol>
6	F7	Funding strategy is not aligned with Investment Strategy leading to adverse funding outcomes (over/under funding)	Sara Maxey	<ol style="list-style-type: none"> <li>1. The Asset Liability Study is undertaken on a triennial basis.</li> <li>2. The Funding Strategy and Investment Strategy are reviewed and monitored on a regular basis.</li> <li>3. The Funding Strategy is aligned with the Investment Strategy.</li> </ol>
6	F10	The adoption of a funding strategy that causes the Fund to fail any of the GAD s13 tests or be named in the GAD s13 report that causes reputational damage.	Sara Maxey	<ol style="list-style-type: none"> <li>1. In consultation with the Actuary, EPF determine an appropriate funding strategy that meets s13 requirements.</li> </ol>
6	I2	Investment Managers and/or ACCESS Operator underperform or do not have appropriate benchmarks leading to lower investment returns	Samantha Andrews	<ol style="list-style-type: none"> <li>1. The performance of Investment Managers and/or ACCESS Operator is subject to regular review.</li> </ol>
6	I4	<p>"Delays in:</p> <ul style="list-style-type: none"> <li>- implementation of decisions;</li> <li>- availability of suitable solutions within the Pool;</li> </ul>	Samantha Andrews	<ol style="list-style-type: none"> <li>1. EPF works proactively with Investment Advisors, ACCESS Pool and Investment Managers to scope, propose and implement viable revisions to the Investment Strategy.</li> </ol>

which reduces the effectiveness of the decision which could lead to loss of potential return"

6	I5	Failure of 3rd party service providers to maintain obligations in respect of investments leading to potential loss of return or liquidity, or ability to access or control investment.	Samantha Andrews	<ol style="list-style-type: none"> <li>1. AAF0106 Annual Control Reviews are carried out.</li> <li>2. Within the Pool environment the Depository has liability for safekeeping of Pool investments.</li> <li>3. ASU Contract Manager ensures adherence to the Operator Agreement by the 11 ACCESS Funds and LINK.</li> <li>4. Formal procurement procedures are being used for all 3rd party suppliers.</li> <li>5. EPF ensure these arrangements are kept under review.</li> <li>6. Fund's assets are not included on Custodian's Balance Sheet. Separate Designated Accounted for each mandate.</li> </ol>
6	A1	<p>" Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none"> <li>- lack of regulatory clarity;</li> <li>- system issues;</li> <li>- insufficient resources.</li> </ul> <p>"</p>	Jody Evans	<ol style="list-style-type: none"> <li>1. EPF ensure the System complies with the latest regulatory requirements through: <ul style="list-style-type: none"> <li>- Technical Hub help to translate regulations and ensure new systems meet regulatory requirements;</li> <li>- Robust testing for system changes</li> <li>- Linking to knowledge and information from software supplier and other LGPS clients using the same administration software.</li> </ul> </li> <li>2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources.</li> <li>3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.</li> </ol>



## Essex Pension Fund Scorecard - October to December 2019

### 1. GOVERNANCE

1.1 - Provide a high quality service whilst maintaining value for money	1	4
1.2 - Ensure the Pension Fund is managed by people who have the appropriate knowledge and expertise	2	1
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	2	3

### 2. INVESTMENTS

2.1 - Maximise returns from investments within reasonable risk parameters	5
2.2 - Ensure the Pension Fund is properly managed (ISC attendance, skills and governance arrangements)	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 7 2
4.1Q - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.	2
4.2 - Data is protected to ensure security and authorised use only	2
4.3 - Ensure proper administration of financial affairs	1 1
4.4 - Compliance with Fund's governance arrangements	5

### 5. COMMUNICATIONS

5.1 - Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.	1 3
5.2 - Ensure our communications are simple, relevant and have impact and deliver information in a way that suits all types of stakeholder.	1 4 2
5.3 - Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members and employers.	1 1

### Key

<b>G</b>	= on or exceeding target	<b>Gy</b>	= data not currently available / work in progress
<b>A</b>	= missing target but within agreed tolerance		
<b>R</b>	= missing target by more than agreed tolerance		

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

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

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

**Measure Owner:** Jody Evans

**Data lead:** David Tucker, Kelly Armstrong and Amanda Crawford

## Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.1.1 Cost per scheme member	2nd	quartile	G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Dec)
1.1.2 Number of scheme member complaints	3	number	G	G	5 or under	20 or under	Low	Quarterly
1.1.3 Number of scheme member compliments	16	number	G	G	15 or more	60 or more	High	Quarterly
1.1.4 Scheme member survey - % of positive answers	96.7%	%	G	G	95%	95%	High	Annual (Mar)
1.1.5 Employer survey - % of positive answers	94.7%	%	G	A	95%	95%	High	Annual (Mar)

## Rationale for performance status and trend

1.1.1. Cost per member was £16.94 in 2018/19 compared to the CIPFA Benchmarking average of £21.34.
1.1.2. The number of complaints received in the 3 months to 31 December 2019 was 3.
1.1.3. The number of compliments received in the 3 months to 31 December 2019 was 16.
1.1.4. In November 2018 a scheme member survey was issued to 500 scheme members (500 in April 2017) who were invited to participate. 128 members responded to the survey (122 in April 2017). 34 negative responses were received from a total of 1034 individual answers resulting in a 96.7% positive response rate. The previous survey was 99.8%. The Fund will carry out an extensive review of the questions asked in preparation for the 2019/20 Survey due October 2019. The 2019/20 Scheme Member survey closed on 31 January 2020. Results are being analysed and will be reported to the Board at their June 2020 meeting.
1.1.5. In November 2018 an Employer Survey was issued to 654 Employers (496 in 2017) who were invited to participate. 51 Employers responses were received (154 in June 2017). 17 negative responses were received from a total of 320 individual answers resulting in a 94.7% positive response. The previous survey result for positive answers was 96.6%. The Fund will be reviewing the way in which the survey is communicated and will carry out an extensive review of the questions asked in preparation for the 2019/20 Survey due in October 2019. The 2019/20 Employer Survey is due to close on 29 February 2020. Results will be reported to the Board at their June 2020 meeting.

## 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:** Jody Evans

**Data lead:** Amanda Crawford

### Status

	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity	Frequency
1.2.1 Members training	78%	%	A	A	90%	90%	High	Quarterly
1.2.2 Board Member attendance at Board meetings	73%	%	G	A	80%	80%	High	Quarterly
1.2.3 Officer training plans and Supporting Success objectives in place	100%	%	G	G	100%	100%	High	Ongoing

### Rationale for performance status and trend

**1.2.1** In the measurement period Board Members' training credits equated to 78%. The Training Strategy is under review in consultation with the Fund's Independent Governance & Administration Adviser (IGAA).

**1.2.2** During the third Quarter there was one PSB meeting achieving 73% attendance from Members.

**1.2.3.** Yearly plans are in place for all staff working on the Essex Pension Fund. The Compliance Team monitor and record all Officer training. Supporting Success is no longer used this has been replaced by the recent launch of My Learning.

# 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:** Jody Evans

**Data lead:** Jody Evans & Amanda Crawford

Status	Value	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.3.1 Fund Business Plan quarterly review - actions on track	16.6% complete 83.4% in progress	A	A	70% Complete, 30% in progress	100% complete	High	Quarterly

## Rationale for performance status and trend

**1.3.1** Against a total of 12 (reduced from 21) objectives or projects for the year:

2 (16.6%) has been completed;  
5 (41.7%) were in progress for the quarter end December 2019 and 5 (41.7%) complete subject to approval at 4 March 2020 PSB meeting and will be finalised by 31 March 2020;  
0 (0%) not started.

The Business Plan is detailed in Appendix A of this report.

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

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

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

**Measure Owner:** Jody Evans

**Data lead:** Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Polarity	Frequency
1.4.1 Number of complaints made	0	number	G	G	0	Low	On-going
1.4.2 Number of complaints upheld	0	number	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 no current vacancies on the PSB. However the current incumbent Other Employing Bodies Representative is due to cease after March 2020. A recruitment process for the Other Employing Bodies Representative is underway. The Scheme Member Representative (UNISON) was recently re-appointed on 21 February 2020 for a further 6 year term.  
Yes = green; No = red.

1.4.4 All PAB vacancies have now been filled. Interviews were conducted on 24 July 2019, Members appointed on 1 August 2019, Induction Training conducted on 23 August 2019 and they attended their first PAB meeting on 25 September 2019.

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:** Jody Evans & Amanda Crawford

**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	number	G	G	0	0	Low	Annual
1.5.2 Number of internal audit recommendations outstanding	0	number	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	39	%	R	R	<20%	<20%	High	Quarterly
1.5.4 Percentage of risks on the risk register with a residual score that is classified as red	4	%	R	R	0%	0%	High	Quarterly
1.5.5 Number of matters raised by external auditors relating to the Essex Pension Fund	0	number	G	G	0	N/A	Low	Annually (Sep)

### Rationale for performance status and trend

**1.5.1** This includes the 2018/19 internal audit reports that were reported to the PSB at the 3 July 2019 PSB meeting. Good assurance (green) was rated with 0 recommendations made.

**1.5.2** The 2018/19 internal audit reports made no recommendations for implementation.

**1.5.3** The Fund currently has 46 risks in its register, of which 18 have a residual score that is classified as amber. Full details are at Appendix B to this report. Measurement: below 20% = green; between 20%-25% = amber; above 25% = red

**1.5.4** The Fund currently has 46 risks in its register, 2 of which has a residual score that is classified as red. Full details are at Appendix B to this report. Measurement: 0% = green; above 0% = red

**1.5.5** There were no significant recommendations for Members to note in the 2018/19 Annual External Audit Results Report from BDO which was presented to the Board at their September 2019 meeting.

## 2.1 - Maximise returns from investments within reasonable risk parameters (Annual)

Data as at: 31 March 2019

**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:** Jody Evans

**Data lead:** Samantha Andrews

### Status

	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity
2.1.1 Annual return compared to Peer Group	8.5	1st	G	G	1st	1st	High
2.1.2 Annual Return compared to Benchmark	8.5	%	G	G	5.6%	5.6%	High
2.1.3 Five year (annualised) return compared to Benchmark	10.5	%	G	G	8.2%	8.2%	High
2.1.4 Five year (annualised) return compared to central expected return of current investment strategy	10.5	%	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	10.5	%	G	G	7.2%	7.2%	High

### Rationale for performance status and trend

2.1.1. The Essex Pension Fund with 8.5% was ranked 1st out of 6 of the peer group which consists of Kent, Suffolk, Norfolk, Cambridgeshire and Northamptonshire. The lowest return within the group was 6.0%. The Pirc Local Authority Universe for the same period was 6.0%.

2.1.2 The annual return of 8.5% was above the benchmark of 5.6%.

2.1.3 The five year return of 10.5% was above the benchmark of 8.2%.

2.1.4 The five year return of 10.5% was above the central expected return of the current Investment Strategy.

2.1.5 The five year return of 10.5% 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:** Jody Evans

**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	89	%	G	G	80%	80%	High	Quarterly
2.2.2 ISC Members training	85	%	A	A	90%	90%	High	Quarterly

### Rationale for performance status and trend

2.2.1 . This represents attendance at ISC meetings between 1 October 2019 and 31 December 2019

2.2.2 In the measurement period, ISC Members' training credits equated to 85%. The Training Strategy is under review in consultation with the Fund's Independent Governance & Administration Adviser (IGAA).

## 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:** Jody Evans

**Data lead:** Amanda Crawford & Samantha Andrews

### Status

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

### Rationale for performance status and trend

Measures **2.3.1 - 2.3.4** Covers the third quarter ending 31 December 2019, 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 financial year. This is due to the changes that Pooling will require;
- Annual Report & Accounts published by 1 December;
- 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 timescales

**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:** Jody Evans

**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 2016 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:** Jody Evans

**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 Borough 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 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:** Jody Evans

**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:** Jody Evans

**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 Funding Strategy Statement (FSS) was agreed by the Board in March 2017 with a further 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.

The draft 2019 FSS is included in the Agenda for 4 March 2020 PSB meeting.

## 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:** Jody Evans

**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 2019 meeting and will keep this under periodic review. The next review is due March 2020.

### 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:** Jody Evans

**Data leads:** Sara Maxey

#### Status

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

#### Rationale for performance status and trend

**3.6.1** Scoring:

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

In April 2018 Castle Point Citizens Advice Bureau went into liquidation, the Actuary report was completed and deficit sum was £39k.

In December 2018 Allied Healthcare went into liquidation, these were made up of 4 contracts, the Actuary report was completed and deficit sum was £65k for all combined.

The combination of these liquidations represent less than 0.001% of the £7.5bn Fund as at December 2019. The liquidators are still to finish their assessment and therefore this is currently ongoing, should there be no payment in relation to Allied Healthcare, Essex County Council will subsume this on an ongoing basis.

**3.6.2** Scoring:

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

## 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 (151 cases) (392 in 2017/18)	89.3%	88.7%	A	A	95.0%	83.8%
4.1.2 Letter detailing transfer out quote issued within 10 working days (899 cases) (820 in 2017/18)	90.0%	88.9%	A	A	95.0%	84.4%
4.1.3 Letter detailing process of refund and payment made within 5 working days (1,976 cases) (963 in 2017/18)	95.1%	96.2%	G	G	95.0%	94.1%
4.1.4 Letter notifying estimated retirement benefit amount within 10 working days (2412 cases) (8,143 in 2017/18)	98.2%	98.3%	G	G	95.0%	79.3%
4.1.5 Letter notifying actual retirement benefits and payment made of lump sum retirement grant within 5 working days (2972 cases) (2,780 in 2017/18)	99.2%	99.2%	G	G	95.0%	87.0%
4.1.6 Letter acknowledging death of active /deferred / pensioner member within 5 working days (1,264 cases) (1,334 in 2017/18)	99.7%	99.8%	G	G	95.0%	87.8%
4.1.7 Letter notifying the amount of dependent's benefits within 5 working days (1,264 cases) (1,334 in 2017/18)	96.4%	97.6%	G	G	95.0%	84.8%
4.1.8 Calculate and notify deferred benefits within 10 working days (6,581 cases) (2,111 in 2017/18)	87.9%	90.0%	A	A	95.0%	75.3%
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%	n/a
4.1.10 Annual benefit statements issued to deferred members by 30 June.	100.0%	100.0%	G	G	100.0%	n/a
4.1.11 New IDRPs appeals during the year (per one thousand members)	0.01	N/A	G	Gy	Below CIPFA average	0.14
4.1.12 IDRPs appeals - number of lost cases	0.00	N/A	G	Gy	Below CIPFA average	0.05

**4.1.1 & 4.1.2** Transfer factors were changed during 2018-19 which meant that the Fund had to stop processing transfers in and out while the new factors were finalised and published. Thus resulting in the 10 working day turnaround time not being met.

**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 2019. No CIPFA average results appear in the benchmarking report.

**4.1.10** Deferred members statements were issued in June 2019. No CIPFA average results appear in the benchmarking report.

**4.1.11 & 4.1.12** The CIPFA benchmarking statistics for 2018/19 no longer include IDRPs measures.

## 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	number	G	G	0

### Rationale for performance status and trend

#### 4.1.13

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

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

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

#### 4.1.14

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

Payment of Death Grants detailed analysis	Sep'19 quarter	Dec'19 quarter
A: Notifications of Scheme Member deaths received	69	56
B: Number within A with death grant nomination	35	21
C: Number within B paid in line with nomination held	33	20
D: Number within B paid to next of kin (in instances of predeceased nominee)	2	1
E: Number within A paid to the Estate (in instances of predeceased nominee)	0	0
F: Number within A without death grant nomination	34	35
G: Number within F paid to next of kin	34	34
H: Number within F paid to the Estate	0	0
I: Number paid to holding account as no details of NOK at present	0	0
J: Number within F paid to the Treasury Solicitor	0	1

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

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

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

**Measure Owner:** Jody Evans

**Data lead:** Jody Evans

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

### Rationale for performance status and trend

4.2.1	In the quarter to December 2019, there were no information security breaches.  Green = 0 breaches Amber = 1 or more medium or minor breaches Red = 1 or more major or critical breaches
4.2.2	Not applicable.

## 4.3 - Ensure proper administration of financial affairs

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

**Scope:** Investments and Contributions

**Measure Owner:** Jody Evans

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

### Status

	Value	Units	Previous status	Current status	Current target	Annual target	Polarity	Frequency
<b>4.3.1</b> % of monthly reconciliations of equity and bond investment mandates which are timely	100.0	%	G	G	100%	100%	High	Quarterly
<b>4.3.2</b> % of contributing employers submitting timely payments	99.7	%	A	A	100%	100%	High	Quarterly

### Rationale for performance status and trend

**4.3.1** In the quarter up to the end of December 2019, 100% of monthly reconciliations of equity and bond investment mandates were carried out in timely manner against a 100% target for this quarter.

**4.3.2** For the quarter ending December 2019, 99.7% of employers submitted timely payments. In cash terms this equated to **98.7%** of a total employer contribution of £42.532m.

There have been no reports required to go to the Pensions Regulator this quarter.

## 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/Amanda Crawford      **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	100	%	G	G	0%	100%	High	Quarterly
4.4.2 % of Board items sent out 5 working days before meetings	100	%	G	G	0%	100%	High	Quarterly
4.4.3 % of draft Board minutes available 7 working days after meetings	100	%	G	G	0%	100%	High	Quarterly
4.4.4 % of Board minutes uploaded to internet 12 working days after meetings	100	%	G	G	0%	100%	High	Quarterly
4.4.5 Compliance with governance arrangements - number of governance arrangements not in place	0	number	G	G	0	0	High	On-going

### Rationale for performance status and trend

4.4.1 - 4.4.4 Covers PSB meetings during the third quarter 1 October 2019 to 31 December 2019.

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;
- 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 and Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.1.1. % of positive responses from the scheme member survey. - <i>Helpfulness of the Pensions Teams.</i>	100	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.2. % of positive responses from the Employer Survey. - <i>Expertise of Pensions Teams.</i>	98	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.3. % of positive responses from the Employer Survey. - <i>Friendliness.</i>	94	%	G	A	95%	95%	High	Annual (Qtr 4)
5.1.4. A Communication Policy is in place for the current year.	Yes		G	G	Yes	Yes	High	Annual (Qtr 4)

Rationale for performance status and trend

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

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

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

**5.1.4** The Communications Policy was agreed at the July 2016 meeting of the PSB and is currently being reviewed by Officers in consultation with the Independent Governance & Administration Adviser (IGAA). The revised Communications Policy is included as an Agenda item for 4 March 2020 PSB meeting.

The 2019/20 Scheme Member survey closed on 31 January 2020. Results are being analysed and will be reported to the Board at their June 2020 meeting.

The 2019/20 Employer Survey is due to close on 29 February 2020 and also will be reported at the June 2020.

## 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 and Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.2.1. % of positive responses from the Scheme Member Survey - <i>Clarity of website information.</i>	92.5%	%	G	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.2. % of positive responses from the Scheme Member Survey - <i>Understandable Annual Benefit Statements.</i>	82%	%	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%	%	A	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.5. Increase in response of the Scheme Member Survey compared to last year.	1.2%	%	G	G	Increase	Increase	High	Annual (Qtr 4)
5.2.6. Increase in response rate of the Employer Survey compared to last year.	-23.3%	%	G	R	Increase	Increase	High	Annual (Qtr 4)
5.2.7 Employer survey - feedback on training and educational materials - % of positive responses	92.7%	%	G	A	95.0%	95.0%	High	Annual (Qtr 4)

### Rationale for performance status and trend

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

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

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

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

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

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

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

The 2019/20 Scheme Member survey closed on 31 January 2020. Results are being analysed and will be reported to the Board at the June 2020 meeting. The 2019/20 Employer Survey is due to close on 29 February 2020 and also will be reported at the June 2020.

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 and Amanda Crawford

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

Rationale for performance status and trend

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

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

The 2019/20 Employer Survey is due to close on 29 February 2020 and also will be reported at the June 2020.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 05</b>
<b>Date: 04 March 2020</b>	

## **Essex Pension Fund Three Year Business Plan 2020/21 to 2022/23**

Report by the Interim Director for Essex Pension Fund

Enquiries to Jody Evans: 0333 0138 489

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

- 1.1 To submit the Essex Pension Fund Three Year Business Plan for 2020/21 to 2022/23 for approval.

### **2. Recommendations**

- 2.1 The Committee **agree** that:

- the revision to the 2020/21 Funding Objectives detailed in Agenda Item 3 to this Agenda be incorporated into the attached Business Plan;
- the Essex Pension Fund Three Year Business Plan for 2020/21 to 2022/23 be approved;
- the Budget for 2020/21 of £4.62m detailed in the Business Plan be approved; and
- the content of the report be noted.

### **3. Background**

- 3.1 It is recommended best practice for Local Government Pension Schemes (LGPS) to prepare a Business Plan and Budget which are approved by the Board/Committee discharged with decision making responsibilities. This recommendation was recently reinforced by the work undertaken by Hymans Robertson on behalf of the Scheme Advisory Board in regard to the Phase 1 review of the Good Governance in the LGPS.
- 3.2 Since 2003, it has been practice for the Essex Pension Fund to prepare a Business Plan. Initially this was in respect of investment matters and approved by the Investment Steering Committee (ISC). However, with the establishment of Essex Pension Fund Strategy Board (PSB) in 2008 it was considered appropriate that the Business Plan be extended to cover all aspects of fund business, not just investments and that this be prepared for and approved by the Board.
- 3.3 Each year the PSB approve the Pension Fund Business Plan for the forthcoming financial year. Progress against each area of business activity is measured and progress reported back on a quarterly basis.

### **4. Review of Business Activity Reporting**

- 4.1 Over the last year an extensive review has been undertaken in regard to the reporting provided to the PSB on business activities.
- 4.2 This review commenced with the review of the strategic objectives of the Fund, which proceeded to feed into the review of the revised risk register and has combined into the process for formulating and reporting business plan activity in the Business Plan.

### **5. Fund Objectives**

- 5.1 During 2018, a review was undertaken on the Fund's objectives. These objectives form the basis of the revised Pension Fund Business Plan, Risk Register and Scorecard that are presented quarterly to the PSB.
- 5.2 At its December 2019 meeting the Board agreed some minor revisions to the strategic objectives which are detailed within the proposed new Business Plan appended to this report.
- 5.3 In addition, with the conclusion of the 2019 Actuarial Valuation, the Funding objectives have also been revisited. Officers in consultation with the Fund

Actuary are proposing some minor wording revision to the funding objectives. The proposed new wording is detailed (in red) in the Funding Section of the attached Business Plan. Furthermore, the rationale and context for the revisions can be found in Agenda Item 3 covering report to this Agenda.

## **6. Revised Business Plan Formation**

- 6.1 Officers over the last few months have reassessed how we work with Fund Advisers, looking at ways we can work more collaboratively to provide a more holistic joined up approach. This combined with a meeting with Fund Officers and all Advisers on 10 September whereby the key strategic priorities and areas of activity for the next three years were formulated around the Fund's strategic objectives.
- 6.2 Furthermore, Officers in consultation with S151 Officer, the Chairman and Vice Chairman have taken on board feedback in regard to the format, style and presentation of information in the production of the revised new look Business Plan.
- 6.3 The new look Business Plan in addition to documenting key priorities of area of activities to achieve the Fund's strategic objectives has now been expanded to provide: context; clear explanation as to its purpose; governance around the Fund and decision making; its strategic goals; areas of activity; staff and financial resource implementations as well as a look at the challenges that are on the horizon for the Fund.

## **7. Pension Fund Budget**

- 7.1 As mentioned previously, it is best practice to include a budget within the business plan. As such the Fund's Business Plan now includes a Budget.
- 7.2 As background, Regulation requires pension fund assets to be ring-fenced. The Fund is run on behalf of over 650 employers and 168,000 scheme members, from a range of public, private and quasi-public organisations across Essex. All the costs (and efficiencies) of administering the pension fund are met by (or benefit) the Fund.
- 7.3 The Fund is accountable to all its stakeholders (most notably employers and members) via the PSB. As such, savings on pension fund expenditure accrue within the Fund. They do not contribute directly towards Essex County Council's cost saving targets, or those of any of the other employers in the Fund. Likewise, Pension Fund budgetary cost pressures are not met by any

one single employer but are shared across all Fund employers as a small fraction of the contribution rate set at each Triennial Valuation.

- 7.4 The Essex Pension Fund internal operational budget (staff, overheads, general expenses) for 2020/21 has been set in line and follows Essex County Council's budgetary setting process as laid out by S151 Officer. Separately from this a budget allocation has been made in respect of all external third-party support/advice provided to the Pension Fund.
- 7.5 The Fund has set a Budget of £4.62m. This is made up of £3.31m operational budget and £1.31m for third party supplier support/advice.
- 7.6 It is worth noting the Budget to deliver the investment related activities has been set at £480k. This includes a budget allocation for investment advice, the Fund's Global Custodian and the Fund's contribution payable to the ACCESS Pool. It does not, however, include investment management related fees and associated expenditure.
- 7.7 The Fund's Budget has been set based on information that is known to the Fund at the time of writing. As documented in the Business Plan several future challenges have been identified, their timing uncertain, one notably, the remedy outcome from the McCloud ruling. These will have resource and cost implications which will drive up budgetary cost pressures.

## **8. Next Steps**

- 8.1 Following approval of the Business Plan, Officers in consultation with Advisers will look at the mechanism for reporting progress, measuring outcomes against the Fund's key priorities and areas of activities, concluding with updating the Fund's Scorecard.

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

- 9.1 Identifying and monitoring Pension Fund activity via the Business Plan assists the Fund in achieving all of its strategic objectives, and in particular:
- Provide a high-quality service whilst maintaining value for money;
  - Ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
  - Act with integrity and be accountable to our stakeholders;

- Deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need;
- Continually measure and monitor success against our objectives; and
- Ensure our communications are useful and easy to follow.

## **10. Risk Implications**

10.1 The Fund updates and monitors the Risk Register on a quarterly basis.

## **11. Communication Implications**

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

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

12.1 To deliver the activities outlined in the Business Plan for 2020/21 a Budget of £4.62m has been estimated which includes an operational internal budget of £3.31m and a budget allocation for third party provider support/advice of £1.31m. This will be periodically kept under review.

## **13. Background Papers**

13.1 Actuarial Valuation, PSB 03, 04 March 2020.

13.2 EPF Policies and Publications, PSB 05, 18 December 2019.

13.3 2019/20 Objectives, Business Plan, Risk Register and Scorecard, PSB 05, 06 March 2019.

13.4 Review of Objectives and Risk Register, PSB 09, 04 July 2018.

13.5 Review of Fund Objectives and Risk Register, PSB 06, 07 March 2018.



# Business Plan 2020/21 to 2022/23

March 2020

# Essex Pension Fund

## Introduction

This Business Plan explains how the Essex Pension Fund intends to develop and improve its services over the next three years.

It enables the Fund to focus on its key priorities, the achievement of its objectives and assists stakeholders in their understanding of how they contribute to the overall success of the Pension Fund.

## About the Essex Pension Fund ('the Fund')

The Essex Pension Fund 'the Fund' is one of the 88 Funds making up the Local Government Pension Scheme (LGPS) in England and Wales.

The Fund is managed and administered by Essex County Council. Essex County Council are responsible for maintaining and managing the Fund on behalf of its stakeholders; the scheme members and employers participating in the Fund.

## Key Facts

### FUND MEMBERSHIP

- **168,826** Members
  - **55,564** Active Members
  - **42,430** Pensioners / Dependents
  - **70,832** Deferred Members

### FUNDING/EMPLOYERS

- **97%** Funding Level (31 March 2019)
  - **£6.711bn** Assets
  - **£6.91bn** Liabilities
- **650+** Employers, including:
  - Administering Authority (ECC)
  - Tax Raising Bodies
  - Admission Bodies
  - Academies

### INVESTMENTS

- **c£7.5bn** Value of Fund
- **ACCESS Pool** member

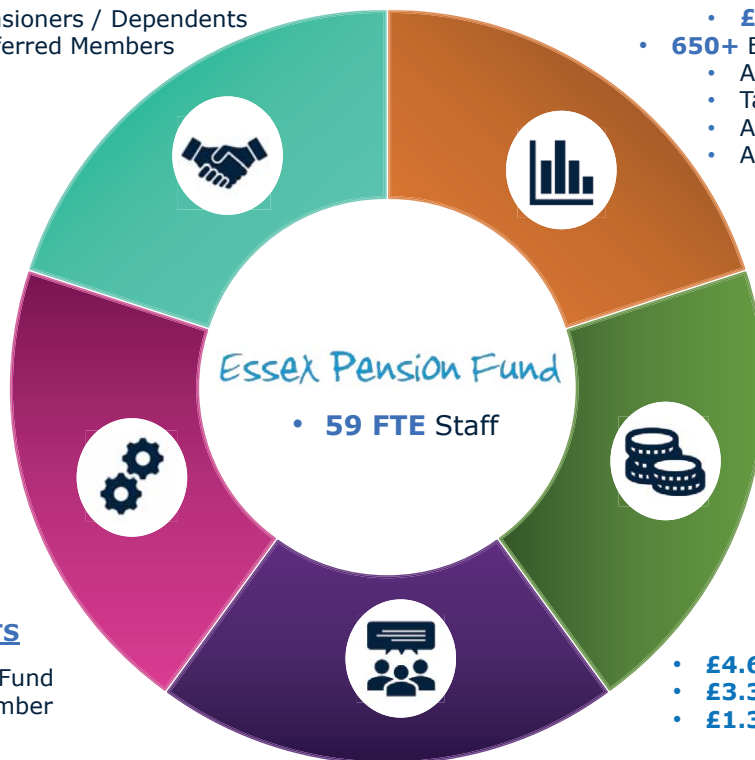
### FINANCIAL

- **£4.62M** Total Budget
- **£3.31M** Operational Budget
- **£1.31M** Third Party Contractor Expenses\*

### GOVERNANCE

- **PSB** Essex Pension Fund Strategy Board
- **ISC** Investment Steering Committee
- **PAB** Essex Pension Fund Advisory Board

\*This excludes Investment related management fees and expenses



# Essex Pension Fund

## Who Manages and Runs the Fund

Essex County Council's (ECC) functions as the Administering Authority are delegated to the Essex Pension Fund Strategy Board (PSB), the Essex Pension Fund Investment Steering Committee (ISC) and its Officers. The membership of the PSB is detailed below:

In addition, the Local Pensions Board (Essex Pension Fund Advisory Board (PAB)) was established on 1 April 2015 under the requirements of the Public Service Pensions Act 2013. It has an oversight role to assist the Administering Authority in securing compliance with regulations by acting as a 'critical friend' to the PSB and the ISC, ensuring the efficient and effective governance and administration of the Fund.

## Membership of the Essex Pension Fund Strategy Board Representatives of the Administering Authority (ECC)



Cllr. S. Barker (Chairman)



Cllr. M. Platt (Vice Chairman)

Cllr. A. Goggin  
Cllr. A. Hedley  
Cllr. M. Maddocks  
Cllr. L. Scordis  
Cllr. C. Souter  
Cllr. A. Davies (Substitute)  
Cllr. A. Erskine (Substitute)

### Representative of Scheme Members

S. Child (UNISON)

### Representatives of the District/Borough Councils in Essex (nominated by Essex Borough and District Leaders' Group)

Cllr. C. Riley (Castle Point Borough Council)

### Representatives of Unitary Councils

Cllr. M. Dent (Southend-on-Sea Borough Council)

### Representative of Other Employing Bodies

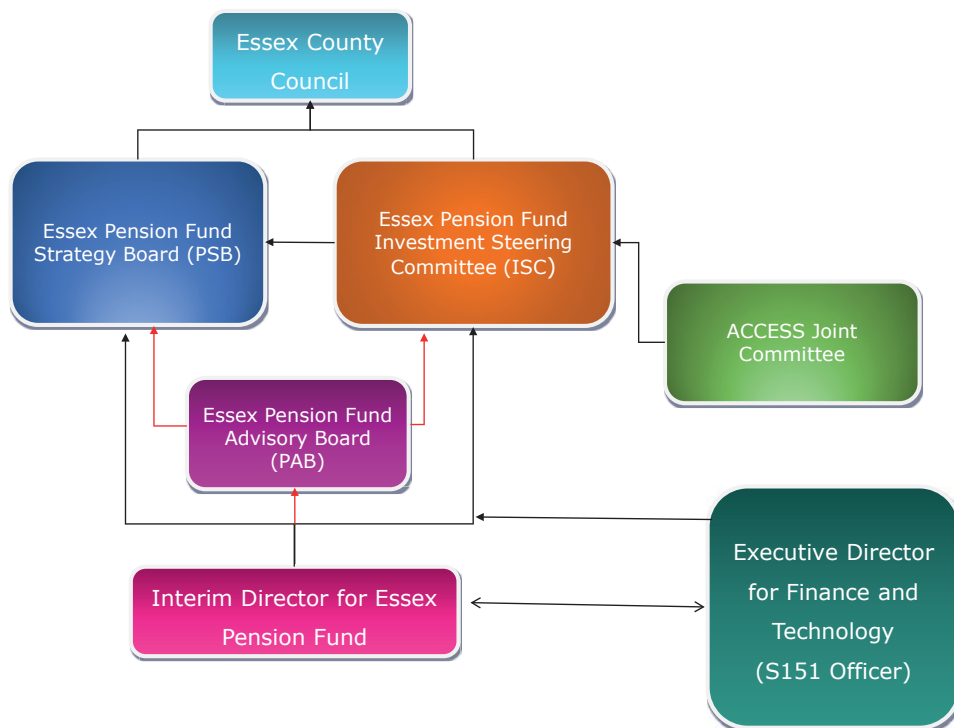
To be confirmed

## ACCESS Pool

The Fund is one of eleven like minded LGPS Funds working collaboratively under the name ACCESS (A Collaboration of Central, Eastern and Southern Shires) who are committed to working together to optimise benefits and efficiencies in relation to investments on behalf of their individual and collective stakeholders.

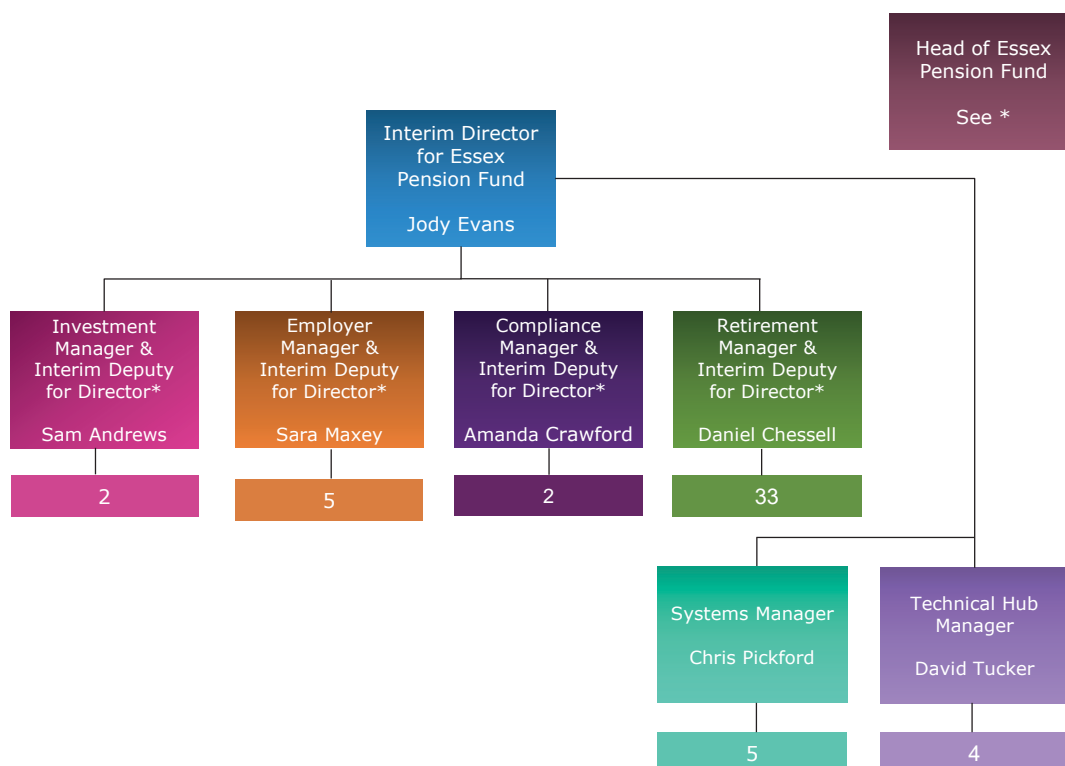
## Governance of the Fund

The relationship between the key decision-making bodies and day-to-day management of the Essex Pension Fund is illustrated below:



## Staffing Structure of the Fund

The day-to-day management of the Essex Pension Fund is illustrated below:

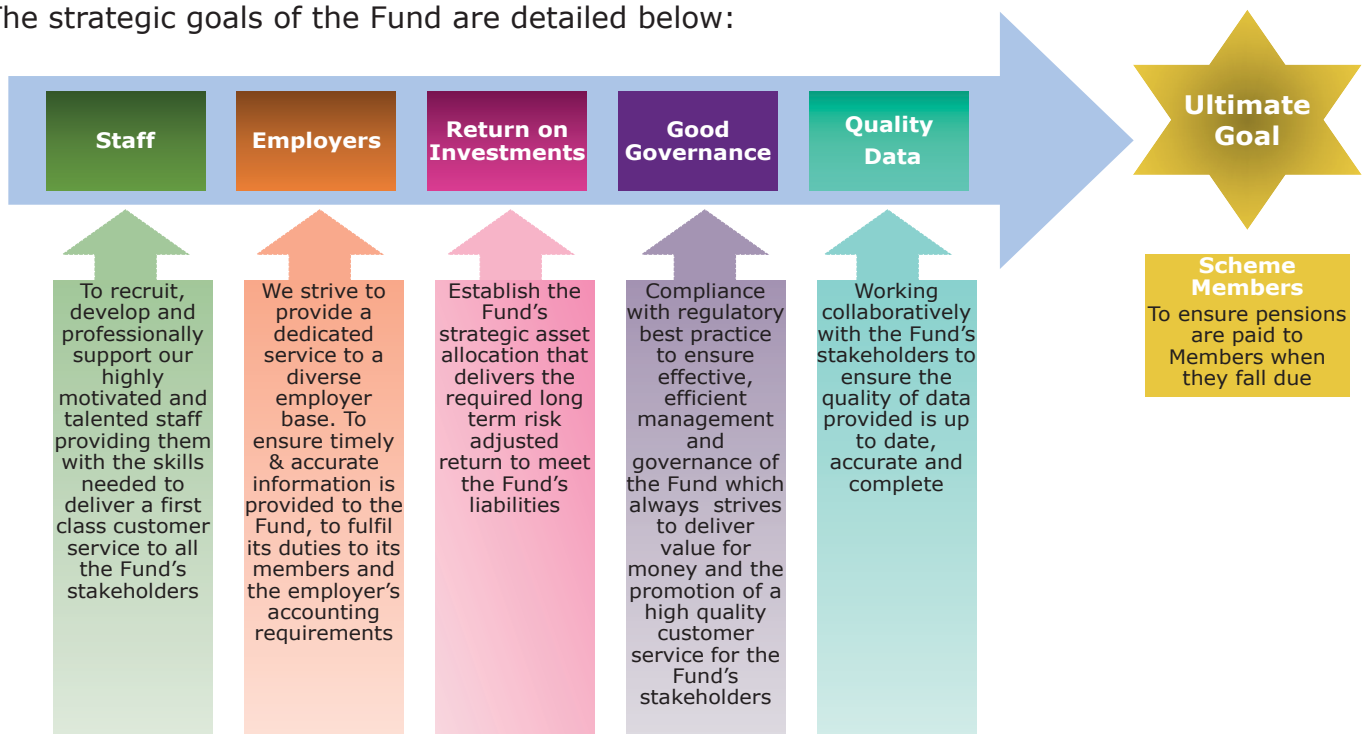


\*These posts are currently covering the vacant role of the Head of Pension Fund.

\*\*Numbers represent full time equivalent staff.

## Strategic Goals of the Fund

The strategic goals of the Fund are detailed below:



## The Fund's Priorities

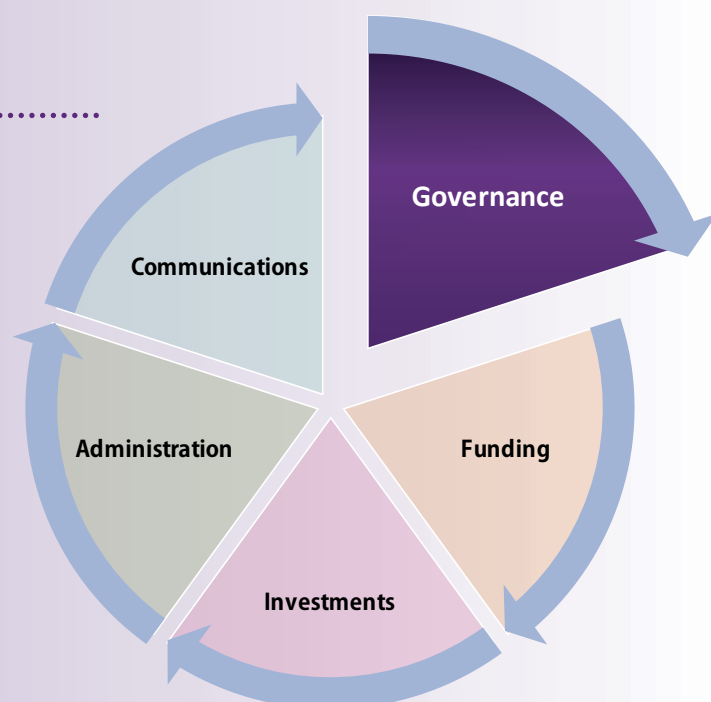
The Fund's priorities for the three years 2020/21 to 2022/23 are linked to the five key areas of business: Governance; Funding; Investments; Administration; and Communications. The following sections outline: the Fund's objectives; area of activity, including strategic Business as Usual (BAU); financial; staff resource and third party support requirements; and training required to deliver the outcomes of the Business Plan.



# Governance

## Objectives

- Provide a high-quality service whilst maintaining value for money;
- Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice;
- Ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- Evolve and look for new opportunities, ensuring efficiency at all times;
- Act with integrity and be accountable to our stakeholders;
- Understand and monitor risk and compliance;
- Continually measure and monitor success against our objectives; and
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.



Area of Activity including strategic BAU	2020/21	2021/22	2022/23
Business Plan & Budget	Annual	Annual	Annual
Risk Management Strategy	Implement	Review	Review
LGPS Reform	Ongoing	Ongoing	Ongoing
Members' knowledge and understanding <ul style="list-style-type: none"> <li>• Training needs analysis</li> <li>• Review the revised training strategy</li> </ul>	Implement	Review	Review
Business Continuity Plan (including Cyber security) and Testing	Develop	Implement	Review
Governance Review and Effectiveness Survey	Commence	Annual	Annual
Review of Governance related Policies including the Governance Policy and Compliance Statement	Annual	Annual	Annual
Independent Governance & Administration Advisor (IGAA) Review	-	Triennial	-
Annual Statement of Accounts including compliance with CIPFA requirements	Annual	Annual	Annual
Terms of Reference for PSB/ISC/PAB	Annual	Annual	Annual
Breach Policy	Develop/Implement	Review	Review
AVC Review	-	Commence/Implement	-

## Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities and BAU, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.60
Head of Essex Pension Fund	0.25
Investment Team	0.65
Funding/Employer Team	0.50
Governance Team	2.00
Administration Team	0.25
Technical Team	0.20
Systems Team	0.25
<b>Total</b>	<b>4.70</b>

External Third Party Support
Aon - Independent Governance Administration Adviser (IGAA)
Barnett Waddingham LLP - Fund Actuary
Hymans Robertson - Institutional Investment Consultant (IIC)
Mark Stevens - Independent Investment Adviser (IIA)

\* These are estimated figures and are subject to change.

## Budget

To deliver the above activities in 2020/21, the budget allocated for third party support is £180k.

## Training

Training offered/delivered to our Committee/Board Members to increase knowledge, enabling robust decision making:

Training	2020/21	2021/22	2022/23
Induction/Refresher training to ensure the Board can carry out its role as decision maker	Ongoing	Ongoing	Ongoing
Relevant tPR Toolkit Modules	Biennial	-	Biennial
Relevant CIPFA Modules	Biennial	-	Biennial
PLSA LA Conference	Annual	Annual	Annual
LGPS Governance Conference	Annual	Annual	Annual
Attendance at CIPFA training days for Board Members	Annual	Annual	Annual
Any other Governance training as necessary	Ongoing	Ongoing	Ongoing

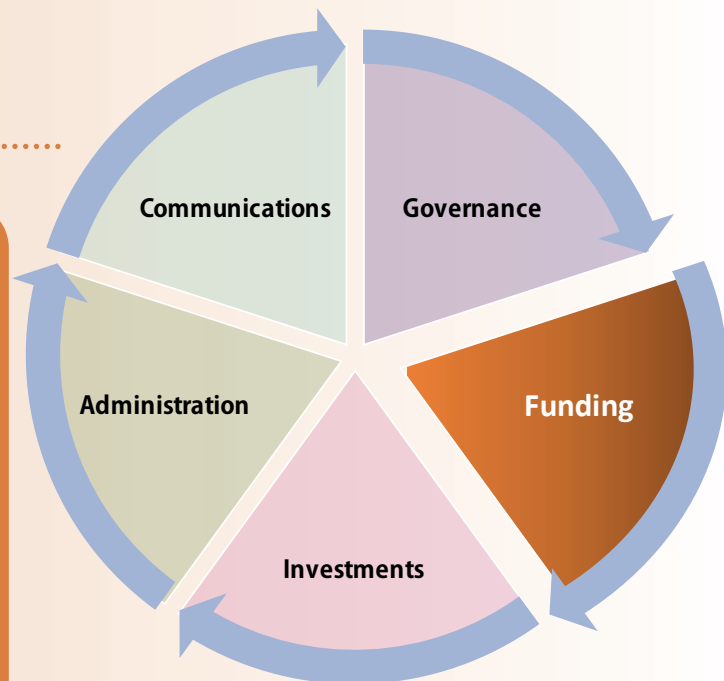
## On the Horizon

- Scheme Advisory Board (SAB) Good Governance Project
  - ◊ The outcome of the Good Governance Project is yet to be reported and therefore the recommendations are not yet known to the Fund or the potential impact(s).
- The Pensions Regulator (tPR)
  - ◊ TPR expect Fund's to comply with the guidance set out in their Code's of Practice (which are currently under review). Through continuous assessment, the Fund ensures adherence to the Code(s) which drives continuous monitoring and improvement.

# Funding

## Objectives

- Recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible;
- Prudently set levels of employer contributions that aim to achieve a fully funded **ongoing** position in the time scales determined in the Funding Strategy Statement;
- Manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption, where necessary, of employer specific funding objectives;
- Ensure consistency between the investment strategy and funding strategy;
- Maintain liquidity in order to ~~meet projected net cash flow outgoings;~~ and ensure benefits can be met as and when they fall due over the lifetime of the Fund.
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the tax payer from an employer defaulting on its **pension obligations** to minimise unrecoverable debt on termination of employer participation.



## Area of Activity including Strategic BAU

Area of Activity including Strategic BAU	2020/21	2021/22	2022/23
Actuarial Valuation	Implement	-	Triennial
Interim Funding review	Annual	Annual	-
Funding Strategy Statement review	As required	As required	Triennial
Employing Authority discretions and delegations review	As required	As required	As required
Employer Risk Review	As required	As required	Triennial
Longevity Analysis of Fund	-	-	Triennial

## Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities and BAU, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.10
Head of Essex Pension Fund	0.25
Investment Team	-
Funding/Employer Team	5.30
Governance Team	-
Administration Team	-
Technical Team	0.20
Systems Team	0.15
<b>Total</b>	<b>6.00</b>

External Third Party Support
Barnett Waddingham LLP - Fund Actuary
Hymans Robertson - Institutional Investment Consultant

\* These are estimated figures and are subject to change.

## Budget

To deliver the above activities in 2020/21, the budget allocated for third party support is £80k.

## Training

Training offered/delivered to our Committee/Board Members/Fund Employers to increase knowledge, enabling robust decision making:

Training	2020/21	2021/22	2022/23
Actuarial Valuation training	-	-	Triennial
Interim Valuation training	Annual	Annual	-
Funding Strategy Statement training	-	-	Triennial
Any other Employer/Funding training as necessary	Ongoing	Ongoing	Ongoing
Employer Forum/Webinar	Ongoing	Ongoing	-
IAS19/FRS102 Communications	Annual	Annual	Annual

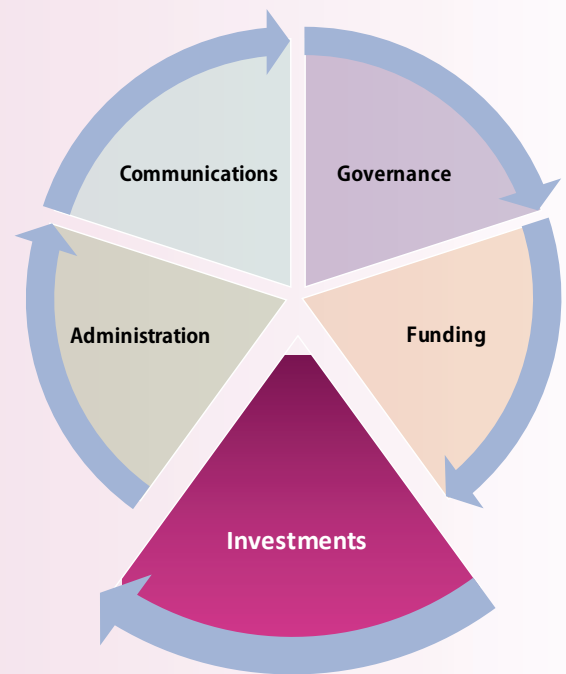
## On the Horizon

- McCloud
  - Due to the court case, benefits will need to be recalculated/increased which will impact on the overall liabilities of the Essex Pension Fund' and in turn the funding level.
  - Following outcomes of McCloud case, providing understanding and training to employers and Committee/Board members on the impact.
  - More employer training through live and recorded webinars.

# Investments

## Objectives

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



## Area of Activity including Strategic BAU

	2020/2021	2021/2022	2022/23
Strategic Asset Allocation review	Biannual	Biannual	Biannual
Institutional Investment Consultant procurement	Commence	Implement	-
Institutional Investment Consultant – CMA review	Annual	Annual	Annual
Independent Investment Adviser – procurement	Implement	-	-
Independent Investment Adviser review	-	-	Triennial
Global Custody procurement	Commence	Implement	-
Asset/Liability Study	Triennial	-	-
Investment Strategy Statement review including Responsible Investment (RI) Policy	As required	As required	As required
Treasury Management Strategy review	Annual	Annual	Annual
ACCESS collaboration	Ongoing	Ongoing	Ongoing
Individual Manager review	Quarterly	Quarterly	Quarterly
Review of CEM Benchmarking/Cost Transparency	Annual	Annual	Annual

## Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities and BAU, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.10
Head of Essex Pension Fund	0.25
Investment Team	2.25
Funding/Employer Team	-
Governance Team	-
Administration Team	-
Technical Team	0.20
Systems Team	0.20
<b>Total</b>	<b>3.00</b>

## External Third Party Support

Hymans Robertson - Institutional Investment Consultant  
 Mark Stevens - Independent Investment Adviser  
 Northern Trust - The Fund's Global Custodian  
 Barnett Waddingham LLP - Fund Actuary

\* These are estimated figures and are subject to change.

## Budget

To deliver the above activities in 2020/21, the budget allocated for third party support is £480k.

## Training

Training offered / delivered to our Committee/Board Members to increase knowledge, enabling robust decision making:

Training	2020/21	2021/22	2022/23
Bitesize Training by Asset Class	Quarterly	Quarterly	Quarterly
Contract Training	Annual	Annual	Annual
Investment Strategy Statement Training	Annual	Annual	Annual
Responsible Investment Training	Ongoing	Ongoing	Ongoing
Asset / Liability Study Training	Triennial	-	-
Review Investment Management Fees / Cost Transparency	Annual	Annual	Annual
Market Commentary	Quarterly	Quarterly	Quarterly
Cash Flow Training	Annual	Annual	Annual
LAPFF Members Meetings	Quarterly	Quarterly	Quarterly
LAPFF Annual Conference	Annual	Annual	Annual
LGC Investments and Pensions Summit	Annual	Annual	Annual
LGC Investment Seminar	Annual	Annual	Annual
Investment & Training Seminar	As required	As required	As required
ACCESS Investor Days/Training Requirements in Relation to Pooling	Biannual	Biannual	Biannual
Any other Investment training as necessary	Ongoing	Ongoing	Ongoing

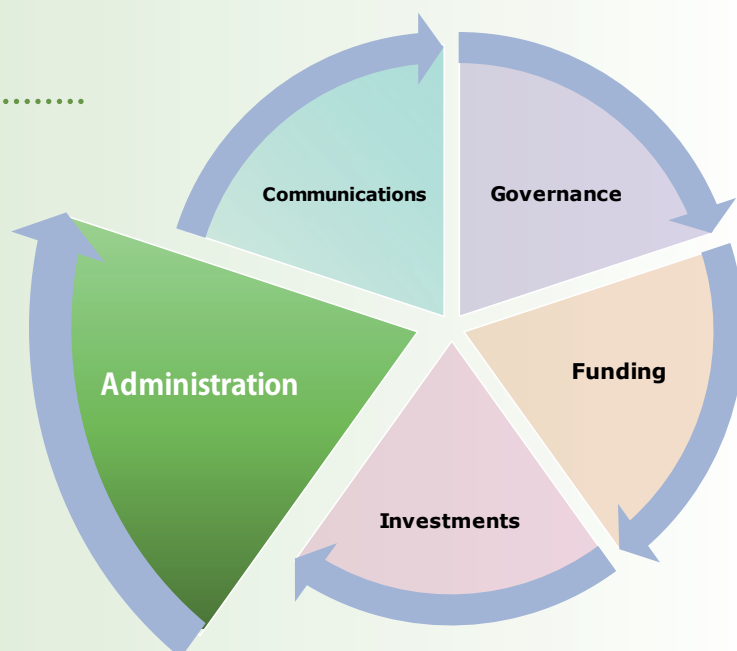
## On the Horizon

- Structural Reform of the LGPS: Pooling of Investments.
  - ◊ Working collaboratively with ACCESS (which is made up of 10 other local authorities) to pool the Fund's investments. Over the coming months ACCESS will be working towards establishing suitable solutions to pool the illiquid assets of the funds.
- Responsible Investment
  - ◊ Continue developing the Fund's approach to responsible investment and engagement, working collaboratively with ACCESS, the Local Authority Pension Fund Forum and the Fund's Investment Managers.
- Pension Schemes Bill 2019/20
  - ◊ New Pension Fund reporting requirement.

# Administration

## Objectives

- Deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need;
- Ensure contribution income is collected from the right people at the right time in the right amount;
- Ensure benefits are paid to the right people at the right time in the right amount; and
- Ensure the Fund employers are aware of and understand their roles and responsibilities, and carry out their functions in line with legislation, guidance and the Fund's agreed policies and procedures.



Area of Activity including Strategic BAU	2020/21	2021/22	2022/23
LGPS Reform – Planning for Administration changes	Ongoing	Ongoing	Ongoing
Review/Procurement of Administration System	Implement	-	-
Review of Pensions Single payments	Implement	-	-
Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online	Ongoing	Ongoing	Ongoing
Administering Authority Discretions	-	Review	-
Review of Administration Strategy	-	Review	-
McCloud Preparation/Implementation	Ongoing	Ongoing	Ongoing
Monthly Returns Digital Transformation	Development	Implementation	Review
Data Improvement Plan	Ongoing	Ongoing	Ongoing
Participation in National Fraud Initiative	Ongoing	Ongoing	Ongoing
Monthly Bulk Leaver/Retire Online development/implementation	Ongoing	Ongoing	Ongoing

## Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources		FTE*	External Third Party Support	
Interim Director for Essex Pension Fund		0.10	Independent Governance Administration Adviser	
Head of Essex Pension Fund		0.25	Civica - Administration System	
Investment Team		-	Adare - Printing	
Funding / Employer Team		-	Faraday - Tracing Bureau	
Governance Team		1.00	Barnett Waddingham LLP - Fund Actuary	
Administration Team		33.50		
Technical Team		4.40		
Systems Team		4.25		
<b>Total</b>		<b>43.50</b>		

\* These are estimated figures and are subject to change.

## Budget

To deliver the above activities in 2020/21, the budget allocated for third party support is £570k.

## Training

Training offered / delivered to our Committee/Board Members/Fund Employers/Fund Members to increase knowledge, enabling robust decision making:

Training	2020/21	2021/22	2022/23
Back to Basics Training	Annual	-	-
Demonstration of Member Online	As required	As required	As required
Road Shows	Ongoing	Ongoing	Ongoing
Annual Return Workshops	Ongoing	Ongoing	Ongoing
Employer Online Workshops	Ongoing	Ongoing	Ongoing
Any other administration training as necessary	Ongoing	Ongoing	Ongoing

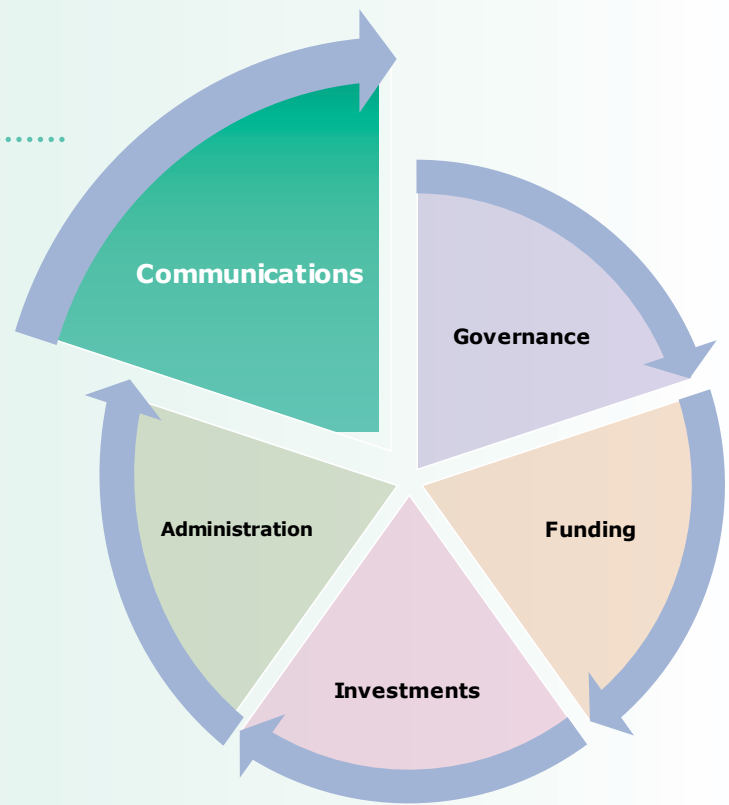
## On the Horizon

- Data
  - ◇ There is increased scrutiny by the Government and tPR in regards to the data held by funds to guarantee its accuracy and completeness. The Fund will need to work collaboratively with its stakeholders to ensure the quality of data provided is up to date, accurate and complete.
- McCloud
  - ◇ Due to the court case, benefits will need to be recalculated which will increase the volume of work for both the Fund and its employers and will impact costs. Also, the Cost Cap mechanism was paused because of McCloud but the Government has indicated it will re-run the Cost Cap mechanism once McCloud has been remedied. This could mean further retrospective scheme changes, in addition to those required as a result of McCloud.
- Pensions Dashboard
  - ◇ The Pension Schemes Bill currently being introduced by the Government creates a legislative framework to support the introduction of pension dashboards. It will probably be a number of years before any dashboard provider is ready to receive scheme data but the Fund is likely to be required to provide scheme member data to one or more dashboard providers at some point.

# Communications

## Objectives

- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally;
- Ensure our communications are useful and easy to follow;
- Deliver information in a way that suits all types of stakeholders including providing more accessibility through greater use of technology; and
- Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all the scheme members, prospective scheme members and employers.



## Area of Activity including Strategic BAU

	2020/21	2021/22	2022/23
LGPS Reform	Ongoing	Ongoing	Ongoing
Communications Policy review	-	-	Triennial
Greater Digitalisation of the Fund including the exploration of Electronic Communications therein	Ongoing	Ongoing	Ongoing
McCloud Implications	Ongoing	Ongoing	Ongoing
Social Media Channel exploration	Ongoing	Ongoing	Ongoing
Review of website	Commence	Implement	Review
Annual Benefit Statements review and development	Ongoing	Ongoing	Ongoing

## Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.10
Head of Essex Pension Fund	-
Investment Team	0.10
Funding/Employer Team	0.20
Governance Team	-
Administration Team	0.25
Technical Team	1.00
Systems Team	0.15
<b>Total</b>	<b>1.80</b>

External Third Party Support
Independent Governance Administration Adviser
Barnett Waddingham LLP - Fund Actuary
Hymans Robertson - Institutional Investment Consultant

\* These are estimated figures and are subject to change.

## Budget

To deliver the above activities in 2020/21, the budget allocated is included in Operational Budget.

## Training

Training offered/delivered to our Committee/Board Members to enable robust decision making includes:

Training	2020/21	2021/22	2022/23
Back to Basics Fund information training	Annual	Annual	Annual
Ad hoc Communications Training	Ongoing	Ongoing	Ongoing
Media training	Investigate	-	-

\*Additional training relating to communications is covered under over areas.

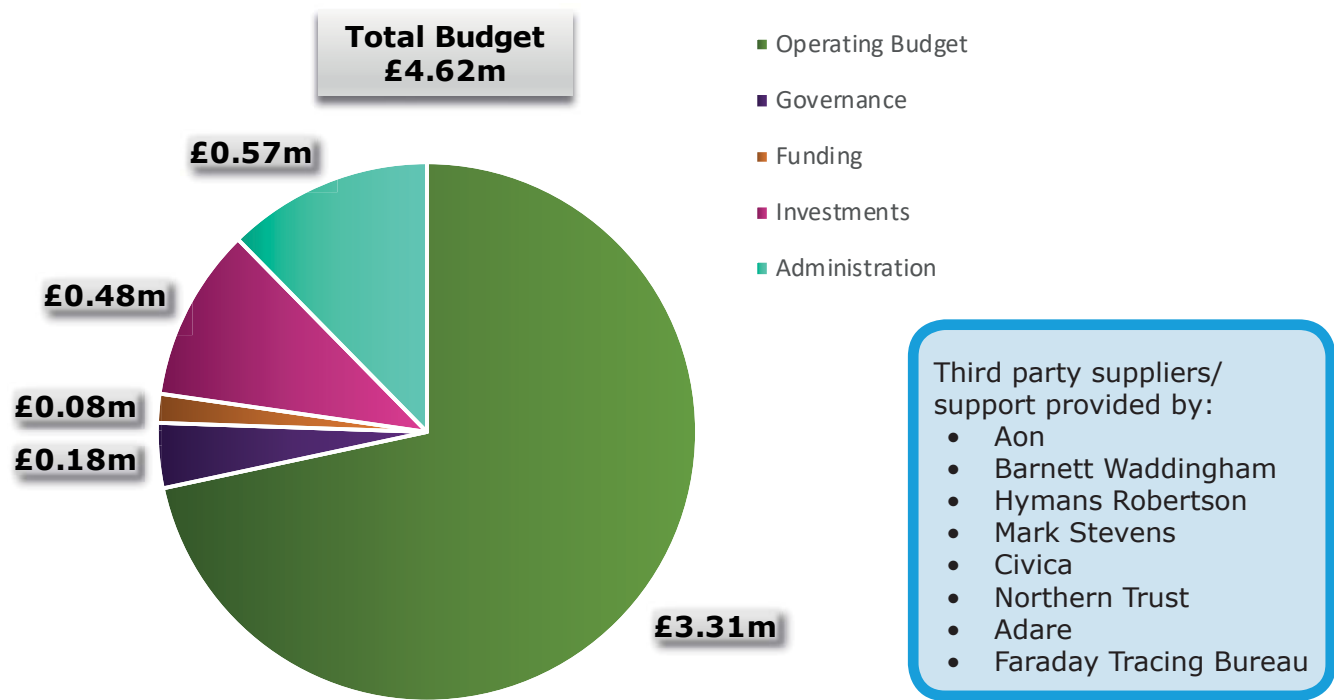
## On the Horizon

- McCloud
  - Due to the court case and expected retrospective changes to benefits, significant communications work will be needed to keep scheme members and employers informed about the changes and the timetable for implementation. This could require significant staff resource and additional printing costs depending on the timing and complexity of the outcome of McCloud for the LGPS.
- Pensions Dashboard
  - The Pension Schemes Bill currently being introduced by the Government creates a legislative framework to support the introduction of pension dashboards. It will probably be a number of years before any dashboard is up and running but the Fund is likely to need to communicate with members in the run up and post implementation.

# Additional Information

## Budget

The 2020/21 operational and third party supplier support budget is shown below:



\*Investments excludes Investment Management Fees and associated expenses

## Key Policy Documents

For further information on the Essex Pension Fund, please visit our website



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

- |  |                                 |
|--|---------------------------------|
| • Administration Strategy                  | • Investment Strategy Statement |
| • Communications Policy                    | • Risk Management               |
| • Governance Policy & Compliance Statement | • Conflict of Interest Policy   |
| • Funding Strategy Statement               | • Annual Report & Accounts      |

## Further Information

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

**Jody Evans, Interim Director for Essex Pension Fund**  
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**Essex Pension Fund**  
**Seax House**  
**Chelmsford**  
**Essex**  
**CM1 1QH**

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 06</b>
<b>Date: 04 March 2020</b>	

## **Essex Pension Fund (EPF) Policies**

Report by the Interim Director for Essex Pension Fund in consultation with the Independent Governance & Administration Adviser (IGAA)

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Enquiries to Jody Evans on 0333 0138 489

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

- 1.1 To provide the Board with the new Conflict of Interest Policy, revised Governance Policy and Compliance Statement and revised Communications Policy.

### **2. Recommendation**

- 2.1 That the Board approve the:
- Conflict of Interest Policy;
  - Governance Policy and Compliance Statement;
  - Communications Policy; and
  - to note the content of the report.

### **3. Background**

#### Conflicts of Interest Policy

- 3.1 The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in Local Government Pension Scheme (LGPS) funds are contained in various elements of legislation and guidance, including:
- Section 5 of the Public Service Pensions Act 2013;
  - Regulation 108 of the LGPS Regulations 2013;
  - The Pensions Regulator's Code of Practice 14: Governance and Administration of Public Service Pension Schemes;
  - Section 90A of the Pension Act 2004;
  - CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance;
  - Localism Act 2011; and
  - The Seven Principles of Standards in Public Life.
- 3.2 The Pensions Regulator's Code of Practice says schemes should ensure that there is an agreed and documented conflict of interest policy and procedure and that they should keep this under regular review.

#### Governance Policy and Compliance Statement

- 3.3 Regulation 55 of the LGPS Regulations 2013 requires each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:
- the terms, structure and operational procedures of the delegation;
  - the frequency of any committee or sub-committee meetings;
  - whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
  - the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying; and

- details of the terms, structure and operational procedures relating to the local pension board.

3.4 Each Administering Authority is required to:

- keep the statement under review;
- make such revisions as are appropriate following a material change;
- consult such persons as we consider appropriate; and
- publish any revised statement.

Communications Policy

3.5 Regulation 61 of the LGPS Regulations 2013 requires each Administering Authority to prepare, maintain and publish a written statement setting out its policy concerning communications with:

- members;
- representatives of members;
- prospective members; and
- scheme employers.

In particular the statement must set out its policy on:

- the provision of information and publicity about the Scheme to members, representatives of members and scheme employers;
- the format, frequency and method of distributing such information or publicity; and
- the promotion of the Scheme to prospective members and their employers.

3.6 The statement must be revised and published by the Administering Authority following a material change in their policy.

**4. Review of the EPF Policies**

Conflict of Interest Policy

4.1 Members and Officers have, and will continue, to comply with the Essex County Council (ECC) Code of Conduct.

4.2 However, one of the conclusions of the Pensions Regulator's deep dive report into the governance and administration arrangements of 10 LGPS funds was that "it is important that scheme managers recognise, and maintain, a

separation between the Fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures."

- 4.3 In addition, the ECC's Code of Conduct does not encompass those Members who sit on the Board, Essex Pension Fund Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) who are not ECC Members or Officers.
- 4.4 Fund Officers, in consultation with the Independent Governance & Administration Adviser (IGAA) and the ECC Monitoring Officer, have produced the draft Conflict of Interest Policy at appendix A for approval by the Board.
- 4.5 The Pensions Regulator's Code of Practice says that conflict of interest policies should be kept under regular review.

#### Governance Policy and Compliance Statement

- 4.6 During the March 2019 PSB meeting, the Board agreed that the Terms of Reference (TOR) for each of the PSB, ISC and PAB would be reviewed for approval by Full Council on 8 October 2019.
- 4.7 In addition, the Board were advised that the revised TORs would be incorporated into the Fund's Governance Policy and Compliance Statement which in turn will be referred to within the Fund's Annual Report and Accounts.
- 4.8 Fund Officers, in consultation with the IGAA, have provided the draft Governance Policy and Compliance Statement at appendix B for approval by the Board.
- 4.9 Once approved, the Governance Policy and Compliance Statement will be published on the Fund's website.

#### Communications Policy

- 4.10 The Communications Policy was last reviewed by the Board in 2016.
- 4.11 With recent system developments such as Member self-service and Employer Online, a full review of the Communications Policy was needed to ensure it properly reflects how the Fund is currently communicating with stakeholders and how it plans to do so going forward.
- 4.12 Fund Officers, in consultation with the IGAA, have produced the draft Communications Policy at appendix C for approval by the Board.
- 4.13 Once approved, the Communications Policy will be published on the Fund's website.

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

### Conflict of Interest Policy

5.1 Developing and publishing a Conflict of Interest Policy will assist the Board in achieving the following Fund objectives:

- Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice; and
- Act with integrity and be accountable to our stakeholders.

### Governance Policy and Compliance Statement

5.2 Reviewing and updating the Governance Policy and Compliance Statement will assist in the Board in achieving the following Fund objectives:

- Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice; and
- Act with integrity and be accountable to our stakeholders.

### Communications Policy

5.3 Reviewing and updating the Communications Policy will assist in the Board in achieving the following Fund 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

## **6. Risk Implications**

6.1 Failure to develop and publish a Conflict of Interest Policy could result in:

- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss;
- Failure to recognise, disclose, monitor and prevent conflicts of interest; and
- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

- 6.2 Failure to review and update the Governance Policy and Compliance Statement could result in:
- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss; and
  - Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.
- 6.3 Failure to review and update the Communications Policy could result in:
- A lack of clarity around the respective roles of the Fund and Employers leading to data issues and delays in collecting contributions and paying benefits to scheme members; and
  - Failure to seek continual improvement in the Fund's communications leading to the Fund not meeting its communications objectives.

## **7. Communication Implications**

- 7.1 The Conflict of Interest Policy, Governance Policy and Compliance Statement and Communications Policy will be published on the Fund's website.
- 7.2 Other than ongoing reporting to the PSB, there are no communication implications.

## **8. Finance and Resource Implications**

- 8.1 None.

## **9. Background Papers**

- 9.1 Communication Policy Report, EPB/11/16, 13 July 2016
- 9.2 Governance Policy and Compliance Statement & PAB review paper, PSB 06, 06 March 2019.
- 9.3 Terms of Reference Review, PSB 05, 03 July 2019.

# Conflict of Interest Policy

March 2020

# Essex Pension Fund

## Introduction

The potential for conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflict of Interest Policy of the Essex Pension Fund, which is managed and administered by Essex County Council (the Administering Authority). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Essex Pension Fund whether directly or in an advisory capacity.

This Conflict of Interest Policy is established to guide Essex Pension Fund Strategy Board (PSB) Members, Essex Pension Fund Investment Steering Committee (ISC) Members, Essex Pension Fund Advisory Board (PAB) Members, Fund Officers and Advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

This Conflict of Interest Policy is a key tool for all the stakeholders in the Essex Pension Fund to assist in complying with the law and meeting the Fund's objective to act with integrity.

## To whom this Policy Applies

This Conflict of Interest Policy applies to all Members of the PSB, ISC and PAB, including scheme member and employer representatives, whether voting members or not. It applies to all managers in the Essex County Council Pension Fund Management Team, and the Executive Director, Finance and Technology (Section 151 Officer) who are, from hereon in, collectively referred to as the 'senior officers of the Fund'.

The Director for Essex Pension Fund will monitor potential conflicts for less senior officers involved in the daily management of the Fund and highlight this Policy to them as the Director for Essex Pension Fund considers appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other boards, committees, groups and bodies.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the PSB, ISC, PAB or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm

rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority and any other body on which they represent the Administering Authority, on any actual or potential conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

## **Legislative and related context**

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

### The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the Administering Authority) must be satisfied that a PAB (referred to in legislation as the Local Pension Board) Member does not have a conflict of interest at the point of appointment and thereafter. It also requires PAB Members to provide reasonable information to the scheme manager for this purpose. The Act defines a conflict of interest as "a financial or other interest which is likely to prejudice the person's exercise of functions as a Member of the Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

Further, the Act requires that scheme managers must have regard to any such guidance that the national Scheme Advisory Board issue (see below).

### The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that PAB Members do not have conflicts of interest on appointment or whilst they are Members of the Board. It also requires those PAB Members to provide reasonable information to the Administering Authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Local Pension Boards (PAB). Further, regulation 110 provides that the national Scheme Advisory Board has a function of providing advice to Administering Authorities and Local Pension Boards. The LGPS National Scheme Advisory Board issued guidance relating to the establishment of Local Pension Boards including a section on conflicts of interest. This Conflict of Interest Policy has been developed having regard to that guidance.

### The Pensions Act 2004

Section 90A of the Pension Act 2004 requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for PAB Members. The Pensions Regulator has issued such a code and this Conflict of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for PAB Members are not being adhered to.

### CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "*the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisers might have.*" It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately.

This Conflict of Interest Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance. This is particularly important given the role of Essex County Council in hosting the ACCESS Support Unit for the LGPS ACCESS Pool.

### Localism Act 2011

All members and co-opted members of the PSB and the ISC are required by the Localism Act 2011 to register and declare 'disclosable pecuniary interests' and abide by Essex's Code of Conduct for Members. That Code contains provisions relating to Code Interests and Disclosable Pecuniary Interests, their disclosure and limitations on members' participation where they have any such interest.

### The Seven Principles of Standards in Public Life

Sometimes known as the 'Nolan Principles', the seven principles of public life apply to anyone who holds public office. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service;
- local government;
- the police;
- the courts and probation services;
- non-departmental public bodies; and
- health, education, social and care services.

The principles also apply to all those in other sectors that deliver public services. Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness;
- integrity;
- objectivity;
- accountability;
- openness;
- honesty; and
- leadership.

### Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

## **Other Administering Authority Requirements**

### Pension Advisory Board (PAB) Members

The PAB Terms of Reference require the Board to adopt a policy for identifying and managing potential conflicts of interest. The Board has adopted this Policy. In addition to the requirements of this Policy, PAB Members are required to adhere to paragraphs 24.1 to 24.5 of the Essex County Council's Members' Code

of Conduct in relation to the standards of conduct of Board members, including the non-disclosure of confidential information.

### Employees

In addition to the requirements of this Policy, officers of Essex County Council are required to adhere to the Essex County Council Officers' Code of Conduct, its Declarations of Interest Policy and its Gifts and Hospitality Policy which includes requirements in relation to the disclosure and management of potential or actual conflicts interest or relationships (financial and non-financial) that may impact on their work or that of Essex County Council.

Senior officers of the Fund will, as a matter of course provide advice and support on pension fund matters. It should be noted that in doing so there can be no **legal** conflict of interest between Essex County Council in its role as employer and in its role as administering authority since both are the same legal person.

### Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Essex Pension Fund and on which advice is required or to a supplier or organisation providing services to the Essex Pension Fund. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the PSB, ISC, PAB or Fund officers can be the same person, as long as there is no conflict of interest between the multiple responsibilities.

### Conduct at Meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak to advocate on behalf of specific person or organisation or to represent the views of a group of such persons must state this clearly at the meeting and this will be recorded in the minutes.

### **What is a Conflict or Potential Conflict and how will they be managed?**

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Essex County Council;
- at the same time has a separate personal interest (financial or otherwise); or
- has another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility; or
- has an interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

The Administering Authority, Essex County Council, will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

Essex County Council, as Administering Authority, will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue;
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a PSB meeting); or
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen).

Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Essex County Council shall endeavour to avoid the need to advise an individual to resign due to a conflict of interest or to request the appointing body to reconsider their appointment to the Board or Committee). Where a PAB Member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Board.

#### Minor Gifts and Hospitality

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £25 per item) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Essex County Council Officers are also required to comply with the ECC Gifts and Hospitality Policy.

#### **Responsibility**

Essex County Council as the administering authority for the Essex Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director for Essex Pension Fund is the designated individual for ensuring the procedure outlined below is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties, to declare and register interests and seek advice and to withdraw from meetings if they are not complying.

#### **Operational procedure for senior officers, PSB, ISC and PAB Members**

The following procedures must be followed by all individuals to whom this policy applies.

***However, it should be noted all Members of the PSB and the ISC have an overriding legal obligation to follow and abide by the requirements of the Localism Act 2011 and Essex County Council's Code of Member Conduct*** relating to the treatment and disclosure of certain disclosable pecuniary interests and Code Interest. Accordingly, for those members, disclosures under this policy may ***be in addition*** to disclosures under the Council's Code of Conduct/the Localism Act 2011.

What is required	How this will be done
<i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i>	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Registration of Interest Form similar to that included in Appendix A.</p> <p>The information contained in these forms will be collated into the Pension Fund Register of conflicts of interest.</p> <p>Members of the PSB are also required to complete an online register of interests and submit it to Essex County Council's Monitoring Officer. This will be published on the internet unless it is agreed that publication of all or part of it will cause a threat to a Member's safety.</p>

What is required	How this will be done
<p><i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i></p>	<p>At the commencement of any meeting of the PSB, ISC, PAB or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any interests relevant to any item of business at the meeting as well – whether or not they are already on the register – as well as any new potential conflicts which may not have been recorded and also any other interests which are not required to be recorded.</p> <p>These will be recorded in the record of the meeting and also in the Fund's Register of conflicts of interest. In addition, the latest version of the Register of Interests and the Declaration Log is presented at the first meeting of the PSB, ISC and PAB in each municipal year to ensure it is up to date. The Register and Log is also made available by the Director for Essex Pension Fund to the Chairman of every meeting prior to that meeting if required.</p> <p>At PSB and ISC meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda.</p> <p>Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, is asked to advise the Chairman and the Director for Essex Pension Fund as soon as they become aware of it and preferably prior to the meeting.</p> <p>The Chairman, in consultation with the Director for Essex Pension Fund, should then decide whether the conflicted or potentially conflicted individual is advised to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>With respect to the Code of Member Conduct and the Localism Act 2011, the Monitoring Officer will provide advice. Whilst ultimately it is for the member to decide whether or not to be present, but if they do not follow advice they are at risk of a formal complaint being made.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Director for Essex Pension Fund and where it relates to the business of any meeting, also to the Chairman of that meeting. The Director for Essex Pension Fund, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>The Director for Essex Pension Fund is responsible for monitoring the Register on an ongoing basis to determine if any list actual or potential conflict could impact on the ongoing business of the Essex Pension Fund. Where information relating to any potential or actual conflict has been provided, the Director for Essex Pension Fund may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer of Essex County Council) on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the record of the meeting if raised during a meeting.</p>

What is required	How this will be done
<i>Step 3 - Periodic review of potential and actual conflicts</i>	<p>At least once every 12 months, the Director for Essex Pension Fund will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will be asked to complete a new Declaration of Interest confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration.</p> <p>If a member fails to do so the matter will be escalated to the Chairman of the PSB or Chairman of the PAB (as applicable) in conjunction with the Director for Essex Pension Fund. The updated Register will then be circulated by the Director for Essex Pension Fund to all individuals to whom it relates.</p>

### Operational procedure for advisers

All of the key advisers to the Essex Pension Fund are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with the Administering Authority, Essex County Council.

Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated;
- adhere to the principles of this Policy;
- provide, on request, information to the Director for Essex Pension Fund in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to Essex County Council as Administering Authority;
- notify the Director for Essex Pension Fund immediately should a potential or actual conflict of interest arise; and
- highlight at all meetings should a potential or actual conflict of interest arise, preferably at the start of the meeting.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

### Monitoring and Reporting

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It can be made available on request to Fund stakeholders (i.e. scheme members or employers) by the Director for Essex Pension Fund. Where the nature of one or more of a members interests is such that it could lead to that individual, or a person connected with that individual, being subject to violence or intimidation then copies of the Register available for inspection and any published version of the Register will not include details of the interest but may state that the individual has an interest, details of which have been withheld in accordance with this Policy. In addition, information relating to how actual or potential conflicts of interest have been managed is available on request.

In order to identify whether the objectives of this Policy are being met the Administering Authority will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity; and
- Provide its findings to the Administering Authority's Independent Governance and Administration Adviser (IGAA) and ask him or her to include comment on the management of conflicts of interest.

## Key Risks

The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Director for Essex Pension Fund will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters;
- Insufficient training or failure to communicate the requirements of this Policy;
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy;
- Failure by a chairman to take appropriate action when a conflict is highlighted at a meeting; and
- A decision by an individual to disregard advice and be subject to formal action under the Localism Act 2011.

## Costs

All costs related to the operation and implementation of this Policy will be met directly by Essex Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

## Approval, Review and Consultation

This Conflict of Interest Policy was approved on 04 March 2020 by the PSB. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

## Further Information

If you require further information about anything in or related to this Conflict of Interest Policy, please contact:

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Jody Evans, Interim Director for Essex Pension Fund  
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Essex Pension Fund  
County Hall  
Seax House  
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## Appendix A – Sample of Declaration of Interest Form

### Sample

#### Form to Register Interests relating to the management of Essex Pension Fund administered by Essex County Council

*Tick as appropriate*

I, [insert full name], am:

- an officer involved in the management
- Pension Strategy Board Member
- Investment Steering Committee Member
- Pension Advisory Board Member

☐  
☐  
☐  
☐

of Essex Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Essex Pension Fund Conflict of Interest Policy. I have put “none” where I have no such interests under any heading.

**Responsibilities or other interests that could result in a conflict of interest** (please list and continue overleaf if necessary):

*A) Relating to me*

*B) Relating to family members or close colleagues or friends*

#### **Undertaking:**

I declare that I understand my responsibilities under the Essex Pension Fund Conflict of Interest Policy. I undertake to notify the Director for Essex Pension Fund of any changes in the information set out above.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Name (CAPITAL LETTERS) \_\_\_\_\_



# Governance Policy and Compliance Statement

March 2020

# Essex Pension Fund

## Introduction and Legal Requirements

Essex County Council is the Administering Authority responsible for maintaining and managing the Essex Pension Fund on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.

Flexibility is provided for each Administering Authority to determine their own governance arrangements. However, the LGPS Regulations (regulation 55 of the LGPS Regulations 2013) require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:

- a. the terms, structure and operational procedures of the delegation;
- b. the frequency of any committee or sub-committee meetings;
- c. whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- d. the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying; and
- e. details of the terms, structure and operational procedures relating to the local pension board.

Each Administering Authority is required to:

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

In reviewing and making revisions to the statement, the Administering Authority must consult such persons as it considers appropriate.

This document is the Governance Policy and Compliance Statement for Essex Pension Fund that has been prepared to meet the requirement of the LGPS Regulations. The Governance Compliance Statement noted in point d. above is included as Appendix A.

## About the Essex Pension Fund ('the Fund')

Under the Regulations, Essex County Council is required to maintain a pension fund ("the Fund") for its employees and those of other Scheme Employers within its area.

Essex County Council therefore administers the Fund for its own employees and those of the 14 District, Borough and Unitary Councils, and numerous other bodies. In total there are over 650 separate employers participating in the Fund. The Fund does not provide pensions for teachers, fire-fighters and police officers, for whom separate arrangements exist but includes administrative and support staff for those organisations.

Membership Summary as 31 March 2019 Triennial Valuation	
Active Members	55,564
Pensioners/Dependants	42,430
Deferred* Members	70,832
Total	168,826

\* Deferred pensioners are former active members who have chosen not to transfer their pension rights but retain their pension rights in the Fund until they are due for payment.

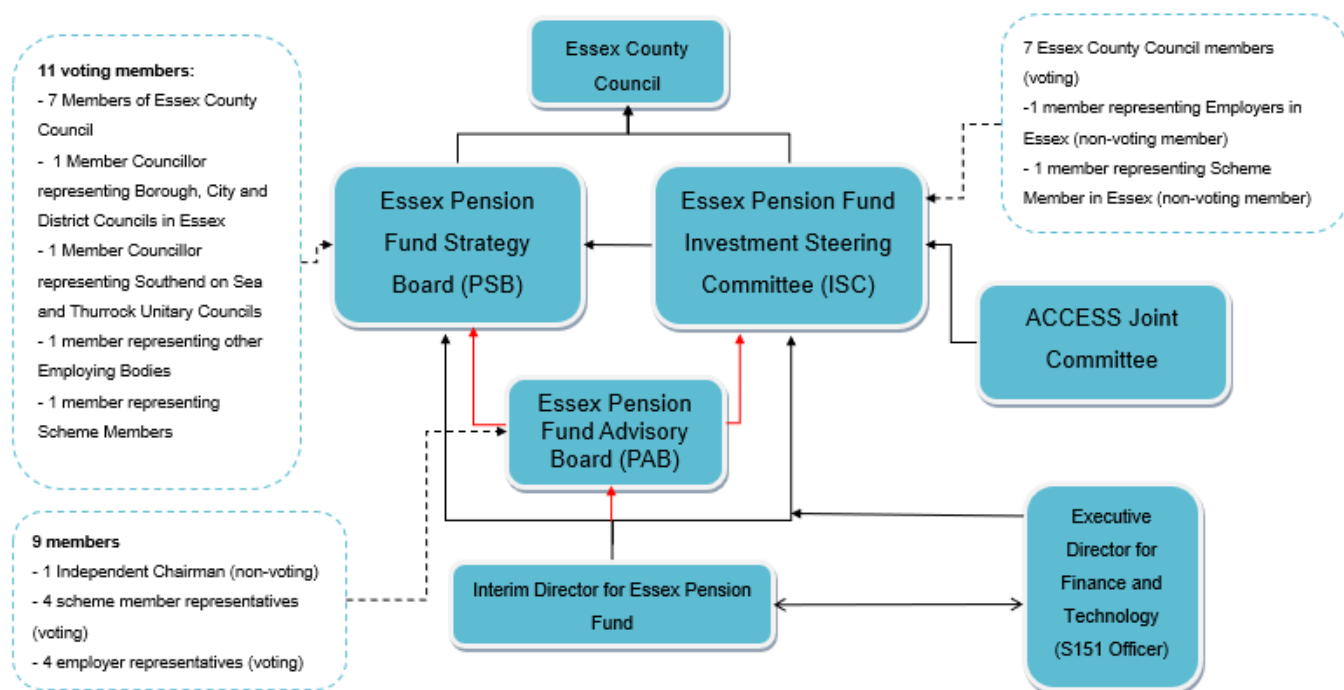
## Aims and Objectives

In relation to the governance of the Fund we will aim to:

- Provide a high-quality service whilst maintaining value for money;
- Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice;
- Ensure the Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise;
- Evolve and look for new opportunities, ensuring efficiency at all times;
- Act with integrity and be accountable to our stakeholders;
- Understand and monitor risk and compliance;
- Continually measure and monitor success against our objectives; and
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

## Governance Structure

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



Full details of the delegations from Essex County Council as Administering Authority are available from <https://www.essex.gov.uk/our-constitution>. A summary of each of the key Boards and delegations are set out opposite:

## Pension Strategy Board (PSB)

### Membership

There are 11 members including:

All Voting* Members	How Nominated or Appointed	Term of office
7 Members of the Council	Appointed by the Council	1 year as appointed at the annual meeting of the Council or as changed from time to time by the Constitution.
1 Member Councillor representing Borough, City and District Councils in Essex	Nominated by Essex Borough and District Leaders/Chief Executives	4 years from the relevant Borough, City and District Council elections.
1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils	Nominated jointly by and from either Southend-on-Sea and Thurrock Councils	4 years from the relevant Unitary Council elections.
1 member representing other Employing Bodies	Nominated by other employers at the employer forum or such other process as agreed by the Chairman and the Director for the Fund and must be in the employment of or hold office in relation to a Fund employer.	6 years from date of appointment.
1 member representing Scheme Members	Nominated by Unison and must be a member of the Fund	6 years from date of appointment.

\*voting is subject to other provisions within this document.

The Constitution does not permit non-Essex County Council members to have substitutes.

### Term of office

The term of office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any Board member may be re-appointed for further terms following the appropriate appointment process. A member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the PSB if they cease to hold the office or employment which qualifies them for the role.

### Role

The role of the Board will include the following specific functions:

- (i) to monitor and oversee the work of the Fund ISC through its quarterly reports;
- (ii) to ensure the proper administration of the Fund, including compliance with the LGPS and other legislation, ensuring that it delivers best value and compliance with statutory and non-statutory best practice guidance where considered appropriate;
- (iii) to determine, review and monitor the Fund's aims, objectives, strategies, compliance statements and procedures relating to the funding strategy, including approving its Funding Strategy Statement;
- (iv) to make arrangements for the actuarial valuation, ongoing monitoring of liabilities and to undertake any asset/liability and other relevant studies as required;

- (v) to determine, review and monitor the Fund's policy in regard to employer admission and cessation arrangements;
- (vi) to determine, review and monitor the Fund's other aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund, including but not limited to administration, communications and governance;
- (vii) to determine how the various Administering Authority discretions are operated for the Fund;
- (viii) to agree Administering Authority responses to consultations by Central Government, professional and other bodies;
- (ix) to consider any views expressed by employing organisations and staff representatives;
- (x) to both appoint and terminate the appointment of the Fund's advisers, including actuaries, governance advisers and specialist lawyers (where required) and periodically to review those arrangements;
- (xi) to agree the Fund's business plans and monitor progress against them;
- (xii) to consider the Fund's financial statements and to approve an Annual Report on the activities of the Fund in line with legislation and guidance; and
- (xiii) to agree a Knowledge and Skills Policy and ensure its requirements are adhered to.

No matters relating to Essex County Council's responsibilities as an employer participating in the Fund are delegated to the PSB.

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

There are 9 Members of the Investment Steering Committee.

All ISC Members shall be drawn from PSB membership as follows:

<b>Members</b>	<b>How Nominated or Appointed</b>
7 Members of the Council (voting members)	All Council members of the PSB
1 member representing Employers in Essex (non-voting member)	The Member of the PSB nominated by Essex Borough and District Leaders/Chief Executives
1 member representing Scheme Members (non-voting member)	The Member of the PSB nominated to represent Scheme Members

The Chairman and Vice-Chairman of the ISC shall be the Chairman and Vice-Chairman of the PSB respectively.

### **Role and Function**

- (i) to approve and review the asset allocation benchmark for the Fund;
- (ii) to determine, review and monitor the Fund's aims, objectives, policies, strategies and procedures relating to investment of the Fund's assets including the Investment Strategy Statement and any environmental, social and governance matters;
- (iii) to appoint and terminate Investment Managers (in relation to non-pooled assets), Custodians and Advisers to the Fund solely relating to investment matters;
- (iv) In relation to the LGPS ACCESS Pension Fund Pool;
  - a) to consider pooling matters including recommendations by the ACCESS Joint Committee;
  - b) to determine the transition of the assets held by the Fund in relation to the Pool and the funds or sub-funds operated by the Operator;

- c) to appoint the elected councillor for Essex County Council to the Joint Committee as and when required;
- d) to advise the representative on the Joint Committee on such matters as may be required;
- e) to monitor the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee or ASU, as appropriate;
- f) to receive and consider reports from the LGPS ACCESS Joint Committee and the Operator;
- g) to undertake any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required.

(v) to assess the quality and performance of each Investment Manager and the relevant ACCESS Operator annually in conjunction with the Fund investment advisers and the Section 151 Officer;

(vi) to monitor compliance of the investment arrangements with the Investment Strategy Statement;

(vii) to monitor and review the Fund's compliance with the LGPS Scheme Advisory Board adopted Code of Transparency and UK Stewardship Code;

(viii) to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;

(ix) to approve and to review annually the content of the Pension Fund Treasury Management Strategy; and

(x) to submit quarterly reports on its activities to the PSB.

### **Pension Advisory Board (PAB) (Local Pensions Board)**

#### Membership

The Board shall consist of 9 members and be constituted as follows:

- a. 4 employer representatives made up of one from each of the following groups of employers in the Fund:
  - Essex County Council (an elected member);
  - the District, City and Borough Councils of Essex (an elected member);
  - Southend on Sea and Thurrock Unitary Authorities (an elected member); and
  - all other employers.
- b. 4 scheme member representatives of which:
  - one will be nominated by the trade unions; and
  - the rest will be drawn from the total Fund's active, deferred and pensioner membership.
- c. 1 independent Chairman.

#### Term of Office

- a. Employer representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.
- b. Scheme member representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer a trade union representative or representative of Fund members (in accordance with the criteria set by the Appointments Panel).

- c. The Independent Chairman's appointment will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Appointments Panel.
- d. Any Board member, including the Independent Chairman, may be re-appointed for further terms following an appointment process.

### Remit

The Board:

- a) shall assist the Scheme Manager with such matters as the LGPS regulations and guidance may specify;
- b) shall be a "critical friend" to the PSB and the ISC;
- c) may provide oversight of decisions made by the PSB and ISC to ensure that due process has been followed;
- d) may review any decision made by or on behalf of the Scheme Manager or any action taken by the Scheme Manager;
- e) shall comment on and assist in identifying and managing breaches of the law in relation to Fund matters;
- f) at the invitation of the PSB, may also undertake other tasks, including (but not limited to):
  - assisting the PSB by reviewing aspects of the performance of the Fund – for example by reviewing the risk management arrangements within the Fund (although the PSB will remain accountable for risk management);
  - reviewing administration standards or performance or review efficacy of Fund member and employer communications;
  - reviewing published policies to ensure they remain fit for purpose and are complete;
  - reviewing Fund annual reports;
  - being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and Fund members; and
  - discussing strategic matters such as communications where requested by the PSB.
- g) at the shall provide such information as is requested to other bodies including but not limited to the LGPS Scheme Advisory Board and the Pensions Regulator (tPR) and provide an annual report of the work of the Board to the Scheme Manager;
- h) will prepare a record of each meeting which will normally be published no later than 12 working days following the meeting using the appropriate systems of the Scheme Manager; and
- i) must provide a record of each meeting to the following PSB meeting and may make reports and recommendations to the PSB insofar as they relate to the role of the Board (see "Reporting and Escalation").

The Board is not a decision-making body in relation to the management of the EPF but makes recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers. The Board operates independently of the PSB.

## **Delegations to Senior Officers**

### To the Director, Essex Pension Fund:

- (i) To be responsible for the day to day operational management of Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the PSB or ISC;
- (ii) To agree the terms and payment of bulk transfers to and from the Fund;
- (iii) To decide any other Fund related urgent matter, that might otherwise be considered by the PSB or ISC, after consultation with the Chairman of the PSB.

Note: The Director, Essex Pension Fund is not empowered to change the managers of the Fund.

### Executive Director, Finance and Technology (S151 Officer):

To be responsible for providing advice and proposing recommendations to the PSB, ISC and the Director for Essex Pension Fund, and to appoint Essex County Council's officers to the ACCESS Officer Working Group as and when required.

Note: The Executive Director, Finance and Technology is not empowered to change the managers of the Fund or, unless the Chief Executive agrees, to agree the early termination of the employment of any Executive Director or the Monitoring Officer.

### Director, Legal and Assurance:

To discharge the functions of the Council with respect to the pension's complaints procedure.

## **ACCESS Pension Fund Pool Joint Committee**

The ACCESS<sup>1</sup> Pension Fund Pool Joint Committee is composed as follows:

- Cambridgeshire County Council
- East Sussex County Council
- Essex County Council
- Hampshire County Council
- Hertfordshire County Council
- Isle of Wight Council
- Kent County Council
- Norfolk County Council
- Northamptonshire County Council
- Suffolk County Council
- West Sussex County Council

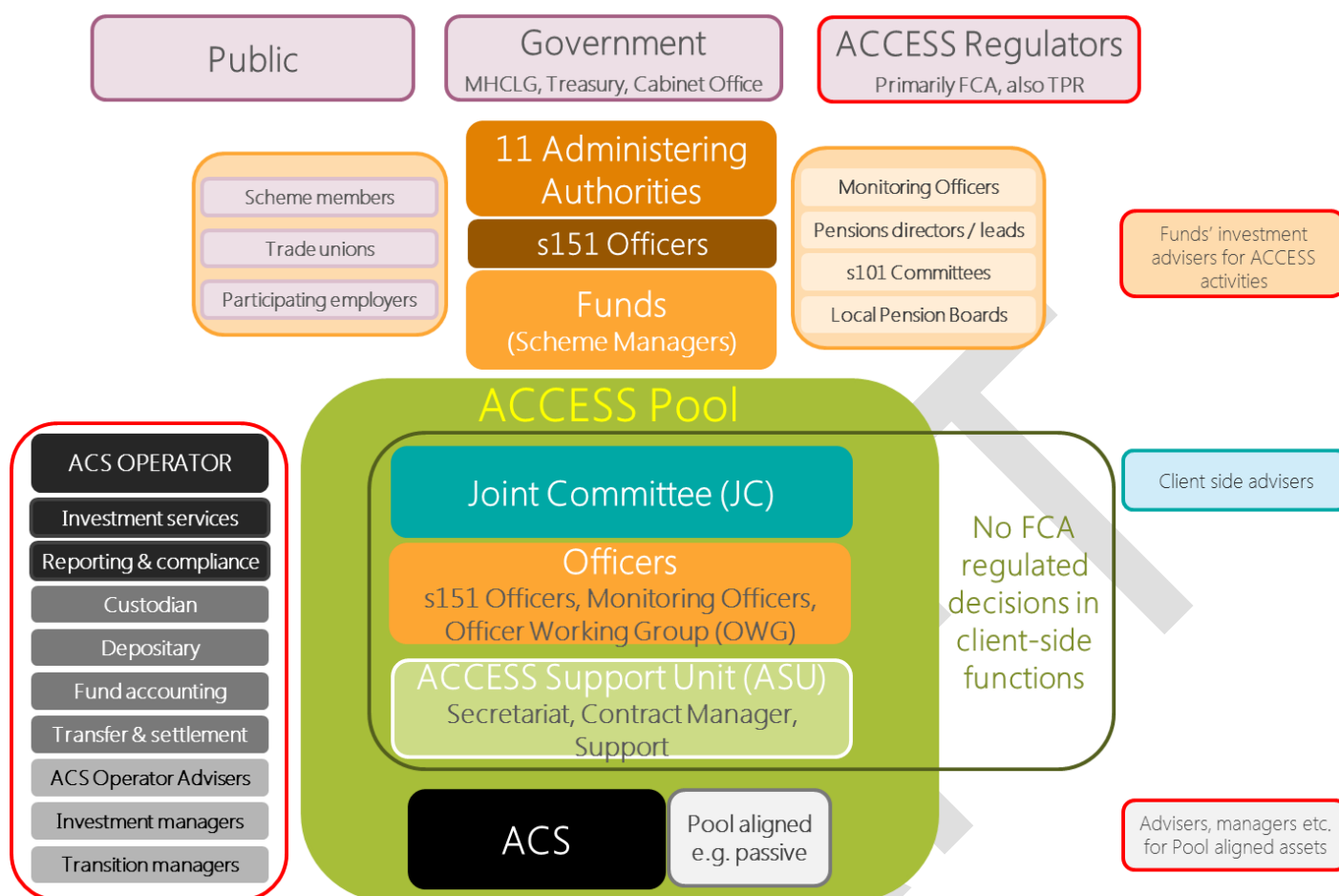
The Joint Committee within the ACCESS pool is made up of the 11 Chairs of the pension committees of the 11 participating LGPS funds. There are two other bodies that are part of this structure; the Officer Working group comprised of officers advising the Joint Committee and the ASU<sup>2</sup>, providing business support functions.

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<sup>1</sup> A collaboration of central, eastern and southern shires, formed by 11 LGPS Funds, in response to the Government's investment reform criteria.

<sup>2</sup> Employees of any Council employed at the request of the Joint Committee wholly or mainly for the purposes of implementing the 'agreement' of the Pool.

The following diagram details the structure:



The functions that have been delegated to the ACCESS Pension Fund Pool Joint Committee are as follows:

#### Functions in relation to the Operator<sup>3</sup>:

- i. Specifying Operator services: Deciding, in consultation with the Councils, the specification of services and functions that the Operator will be required to deliver including the sub-funds and classes of investments required to enable each Council to execute its investment strategy;
- ii. Procuring the Operator: agreeing the method and process for the procurement and selection of the Operator;
- iii. Appointing the Operator: Making a recommendation to the Councils as to the identity of the Operator and the terms upon which the Operator is to be appointed;
- iv. Reviewing the Performance of the Operator: Keeping the performance of the Operator under constant review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the Officer Working Group to enable it to do so including but not limited to:
  - a. the performance of the Operator against its contractual requirements and any other performance measures such as any Service Level Agreement (SLA) and key performance indicators (KPIs) and Officer Working Group recommendations on any remedial action;
  - b. sub-fund investment performance;
  - c. investment and operational costs including the annual review of investment manager costs; and
  - d. performance against the strategic business plan agreed by the Councils.

<sup>3</sup> The person appointed by the Councils from time to time to provide the Services.

v. Managing the Operator: The Joint Committee shall:

- a. make recommendations to the Councils on the termination or extension of the Operator Contract; and
- b. make decisions about any other action to be taken to manage the Operator Contract including the giving of any instruction or the making of any recommendation to the Operator including but not restricted to recommendations on investment managers (within any regulatory constraints that may apply).

vi. Appointment of Advisers:

- a. the Joint Committee may appoint such professional advisers on such terms as it thinks fit. Any procurement of advisers must comply with the constitution of the Authority designated to undertake the procurement and that Authority will enter into a contract with the appointed adviser on behalf of the Authorities; and
- b. the Joint Committee shall decide which tasks shall be performed by the ASU and which Council shall manage the ASU including the employment arrangements for employees in the ASU.

Functions in relation to Management of Pool Assets:

- vii. The Joint Committee shall make recommendations to the Councils on the strategic plan for transition of assets that are to become Pool Assets.

Functions Concerning Pool Aligned Assets:

- viii. Making recommendations to the Councils about Pool Aligned Assets (including proposals concerning the migration of investments-such as passive investments via life fund policies-to become Pool Aligned Assets) in accordance with this Agreement<sup>4</sup> or any other delegation to the Joint Committee by the Councils.

Functions concerning Business Planning and Budget:

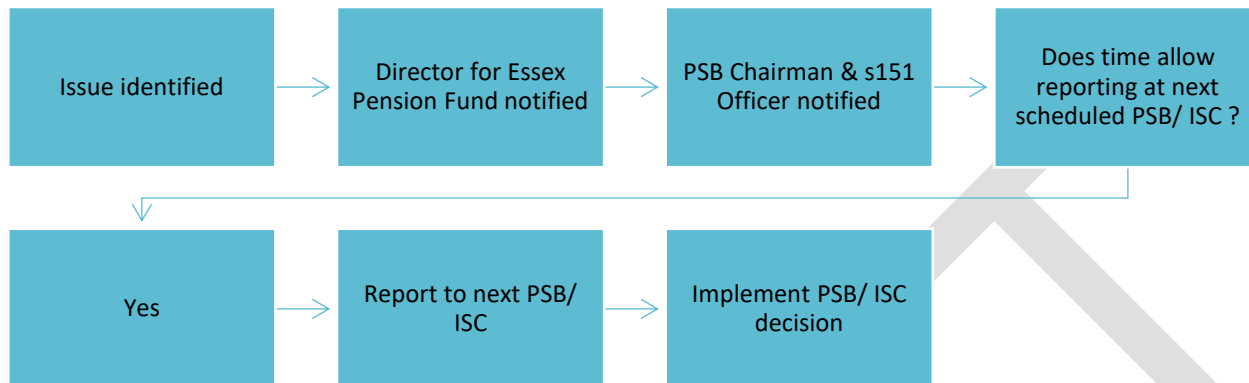
- ix. Make recommendations to the Councils about the annual strategic business plan for the Pool;
- x. Determine the budget necessary to implement that plan and meet the expenses of undertaking the Specified Functions (insofar as they will not be met by individual transaction costs paid by Councils to the Operator) in accordance with Schedule 5 hereof;
- xi. Keep the structures created by the Agreement under review from time to time and make recommendations to the Councils about:
  - a. the future of the Pool;
  - b. any changes to the Agreement; and
  - c. as to the respective merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the Councils.
- xii. The Joint Committee is required to commence the first review of the Agreement by the second anniversary of its first meeting;
- xiii. The Joint Committee is required to undertake a review of the Pool and the Agreement:
  - a. to be completed 18 months before the expiry of each and every Operator Contract including as a result of the exercise of any option to terminate the Operator Contract;
  - b. whenever a Council gives notice of withdrawal under clause 12 of the agreement.

<sup>4</sup> The Agreement to cooperate in the pooling of LGPS Investments signed by 11 Councils of the JC July 2017.

## The Fund's decision-making process

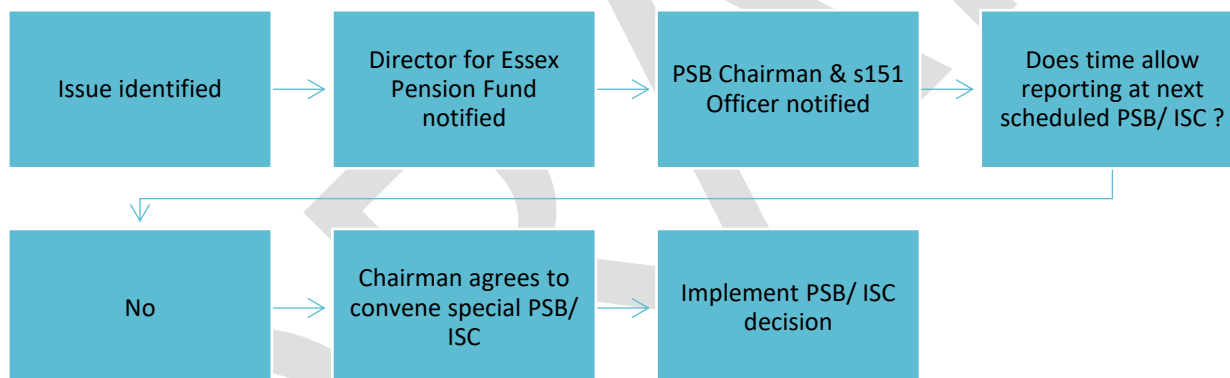
The majority of decisions required to be made by the PSB or ISC are tabled sufficiently in advance to allow members to receive appropriate briefings and make the decision within the normal meeting cycle.

Therefore the following process is used when there is time to allow a decision to be made at the next scheduled ISC / PSB:

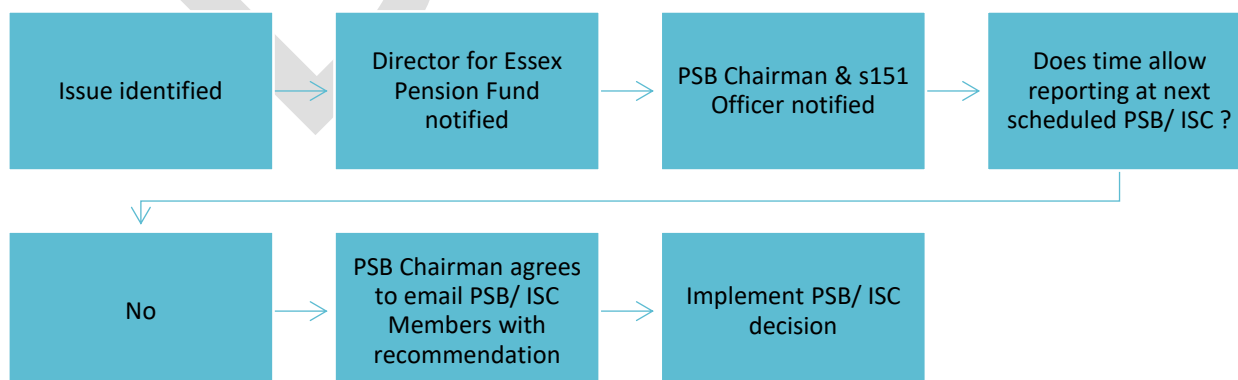


However, the Fund recognises that good governance requires that on occasion the PSB or ISC can respond to urgent matters by taking decisions promptly outside of the normal meeting cycle. On such occasions the following processes may be adopted.

The process to be used when the Chairman agrees to convene a special PSB / ISC meeting:



The process when there is neither the time for the next scheduled meeting or to convene a special PSB / ISC meeting and the Chairman agrees to email PSB / ISC members with the recommendation:



## Training

Essex County Council recognises that effective management, administration and decision making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, in relation to the management of the Fund, we adopt the key recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

This means we will ensure that we have formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant LGPS and related knowledge and skills for those responsible for management, administration and decision-making relating to the Fund. These policies and practices will be guided by reference to the framework of knowledge and skills defined within the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Fund's Knowledge and Skills Policy can be found on the Fund's website – <https://www.essexpensionfund.co.uk/essex-pension-fund/about-us/forms-and-publications/>.

The Fund will report on an annual basis how well this Policy has been adhered to throughout the financial year as part of the Fund's Annual Report and Accounts.

In addition, in accordance with the ACCESS Inter Authority Agreement, the ACCESS Joint Committee is required to ensure that members appointed to the Joint Committee undertake training to acquire and maintain knowledge and skills relevant to the performance of their duties.

## Conflicts of Interest

Conflicts of interest have always existed for those with LGPS Administering Authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS Administering Authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

The Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the PSB members, PAB members, ISC members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The Policy can be found on the Fund's website – <https://www.essexpensionfund.co.uk/essex-pension-fund/about-us/forms-and-publications/>.

## Monitoring Governance of the Essex Pension Fund

The Fund's governance objectives will be monitored on a regular basis. Specific measures and targets are agreed by the PSB and contained in the Fund's scorecard which is regularly reported to the PSB and PAB.

## Key Risks

The key risks to the delivery of this Policy are outlined below. The PSB and ISC, will monitor these and other key risks and consider how to respond to them:

- Various regulatory risks impacting on investments, funding and administration;

- Inadequate, inaccurate, or misrepresented management information leads to financial loss or reputation damage; and
- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables.

### **Best Practice Compliance Statement**

As required by LGPS Regulations the statement in Appendix A compares the Fund's current governance arrangements with the best practice guidance issued by the Secretary of State for Housing, Communities and Local Government. As can be seen, the Fund is fully compliant with all requirements.

### **Approval, Review and Consultation**

The governance arrangements of the Fund were reviewed in 2019 following consultation with the PSB, ISC and PAB. This version of the Governance Policy and Compliance Statement was approved at the PSB on 04 March 2020. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

### **Further Information**

If you require further information about anything in or related to this Governance Policy and Compliance Statement, please contact:

Amanda Crawford, Compliance Manager, Essex Pension Fund  
Email - [amanda.crawford@essex.gov.uk](mailto:amanda.crawford@essex.gov.uk)

Jody Evans, Interim Director for Essex Pension Fund  
Email - [jody.evans@essex.gov.uk](mailto:jody.evans@essex.gov.uk)

Essex Pension Fund  
County Hall  
Seax House  
Chelmsford  
Essex  
CM1 1QH

## Appendix A - Governance and Compliance Statement: Section 101 Committees

As can be seen from the table below, the Fund's governance arrangements in respect of the PSB and ISC are fully compliant with the most recent guidance issued by the Secretary of State for Housing, Communities and Local Government<sup>5</sup> (issued in 2008):

Description of Principle	Essex Pension Fund's Position	Level of Compliance
<b>A - Structure</b>		
(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council	<p>The PSB was established as the Essex Pension Fund Board in 2008, changing its name on 1 April 2015 following the formation of the PAB. Its Terms of Reference were updated on 8 October 2019. It is an overarching body to oversee the functions of the Council as Administering Authority of the Fund, except where they have been specifically delegated to another committee or officers.</p> <p>Its functions include determining, reviewing and monitoring the Fund's aims and objectives relating to funding, investments, administration, communications and governance strategies, ensuring the proper administration of the Fund including compliance with legislation, and agreeing the Fund's business plans and financial statements.</p>	Fully compliant
(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Membership of the PSB is drawn from the Council as well as other scheme employers and member representatives. All representatives have full voting rights and receive appropriate training and development.	Fully compliant

<sup>5</sup>At the time the guidance was issued the Ministry of Housing, Communities and Local Government was named the Department for Communities and Local Government.

Description of Principle	Essex Pension Fund's Position	Level of Compliance
(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels	In addition to the PSB the Fund has also put in place an ISC. The role of the ISC is to oversee and approve all matters related to the Fund's investments. This includes determining, reviewing and monitoring the aims and objectives of the investment strategy such as deciding asset allocation, and assessing the quality and performance of each Investment Manager and the ACCESS Operator. A report on the business of the ISC is put to every PSB.	Fully compliant
(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Membership of the ISC is drawn from the Council representatives of the PSB, all of which have full voting rights as well as employer and member representatives from the PSB (non-voting member).	Fully compliant
<b>B - Representation</b>		
(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:  (i) employing authorities (including non-scheme employers, e.g. admitted bodies); (ii) scheme members (including deferred and pensioner scheme members); (iii) independent professional observers; (iv) expert advisers (on an ad hoc basis).	The terms of reference of both the PSB and the ISC set out the representation on those committees, including how they are appointed and the term of office. This representation covers all types of Scheme Employer as well as scheme members as follows:  <ul style="list-style-type: none"> <li>• 1 Member Councillor representing Borough, City and District Council in Essex;</li> <li>• 1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils;</li> <li>• 1 member representing other Employing Bodies (which includes admitted bodies)</li> <li>• 1 member representing Scheme Members</li> </ul> <p>In addition, the PSB has appointed an Independent Governance and Administration Adviser to assist the PSB and its officers.</p> <p>Other advisers and experts, such as the Fund Actuary, regularly attend PSB.</p>	Fully compliant

Description of Principle	Essex Pension Fund's Position	Level of Compliance
(b) that where lay member sits on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights	All members of the PSB and ISC are treated equally in terms of provision of meeting papers, opportunity to contribute (full voting rights on the PSB) and knowledge and skills training.	Fully compliant
<b>C - Selection and Role of Lay Members</b>		
(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	This is clearly set out in the Terms of Reference of both the PSB and ISC. These were reviewed in October 2019 and shared with all PSB and ISC members.  The role of members is also part of their induction and ongoing training.	Fully compliant
(b) that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	A declaration of interests is a standard agenda item at all PSB and ISC meetings. In addition, the Fund has its own Conflicts of Interest Policy that explains the process that all PSB and ISC members must follow to manage any potential or actual conflicts of interest.	Fully compliant
<b>D - Voting</b>		
the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	All members of the PSB have full voting rights. While voting rights of the ISC is limited to the County Council Members only, this reflects the fact that ultimately it is the County Council that has the legal responsibility to pay all benefits from the Fund.	Fully compliant

Description of Principle	Essex Pension Fund's Position	Level of Compliance
<b>E - Training/ Facility Time/ Expenses</b>		
(a) that in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	<p>The Fund has put in place a comprehensive knowledge and skills training strategy in place, which covers all aspects of the CIPFA knowledge and skills framework.</p> <p>The training strategy was established to aid members of the PSB and the ISC in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the decision-making responsibility put upon them. In addition, the Fund has developed a full training strategy and plan, which ensures the Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise and that they act with integrity and accountability to all stakeholders and decisions, ensuring they are robust and well-based.</p> <p>Member Allowance Scheme is set out in the ECC Constitution for the members carrying out their Board/Committee decision making responsibilities. Allowances are limited to the County Council members only.</p> <p>All costs associated with the attendance of training/conferences away from County Hall for all Board/Committee members that are relevant and within the training strategy plan are met by the Fund. Participating employers are also encouraged to allow facilities' time where relevant.</p>	Fully compliant
(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	The document sets out the strategy agreed by the PSB concerning the training and development of all the members of the PSB and the ISC, and the officers of the Fund responsible for its management. It applies equally to all members on the PSB and ISC.	Fully compliant

Description of Principle	Essex Pension Fund's Position	Level of Compliance
(c) that the Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	A log of attendance at all training events is maintained by the Administering Authority and a training plan is agreed as part of the Fund's Business Plan each year and updated throughout the year as necessary.	Fully compliant
<b>F - Meetings – Frequency</b>		
(a) that an Administering Authority's main committee or committees meet at least quarterly	The PSB meet a minimum of four times a year.	Fully compliant
(b) that an Administering Authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	The ISC meet a minimum of four times a year.  Meetings of both the PSB and ISC are arranged so that outputs from the ISC are available to the PSB in a timely manner.	Fully compliant
(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented		Not applicable

Description of Principle	Essex Pension Fund's Position	Level of Compliance
<b>G - Access</b>		
that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	All members of the PSB and ISC are provided the same documentation and reports which ensures equal access.	Fully compliant
<b>H - Scope</b>		
that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	The role of the PSB is to consider all aspects of the management and administration of the Fund. While certain day-to-day responsibilities have been delegated to officers and investment decisions to the ISC, via the Council's scheme of delegation, the PSB's remit includes determining, reviewing and monitoring the Fund's aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund including administration, funding, investments, communications and governance.	Fully compliant
<b>I - Publicity</b>		
that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements	Full details of the governance arrangements of the Fund are contained within this Governance Policy and Compliance Statement as well as additional detail being included within the Fund's Annual Report, both of which are available on the Fund's website <a href="http://www.essexpensionfund.co.uk">www.essexpensionfund.co.uk</a> . The majority of the PSB and ISC reports are also available on Essex County Council's website - <a href="https://cmis.essex.gov.uk/essexcmis5/Committees.aspx">https://cmis.essex.gov.uk/essexcmis5/Committees.aspx</a> .	Fully compliant





# Communications Policy

March 2020

# Essex Pension Fund

## Introduction

This Policy provides an overview of how the Essex Pension Fund communicates with its full range of stakeholders and how the Fund measures the success of its Communication Strategy. It also outlines the Fund's plans to move towards more digital communications. This Policy should be read in conjunction with the 'Communication Plan' which is detailed in Appendix A of this document.

Essex County Council is the Administering Authority responsible for maintaining and managing the Essex Pension Fund on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations. We work with over 650 employers across the county to provide pensions to over 168,000 scheme members.

This Policy has been developed in accordance with the LGPS Regulations 2013 (Regulation 61) and will be reviewed every three years and updated sooner if the communications arrangements or other matters included within it merit reconsideration.

## Key Stakeholders

We have varied audience groups with whom we communicate, including:

- Scheme members (active, deferred, pensioner and dependent members) and their representatives;
- Prospective members and members who have opted out;
- Employers and prospective employers;
- Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB);
- Pension Fund Staff; and
- Other interested groups including, HM Revenue & Customs (HMRC), the Ministry for Housing, Communities and Local Government (MHCLG), the Pensions Regulator (tPR), the Scheme Advisory Board (SAB), the Local Government Association (LGA), National LGPS Technical Group (Technical Group), South East Counties Superannuation Officers Group (SECSOG) and advisers to the Fund.

## Objectives

To ensure that we are communicating effectively with our audiences and that we continue to develop and enhance the service we offer, we have set the following communication objectives:

- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally;
- Ensure our communications are useful and easy to follow;
- Deliver information in a way that suits all types of stakeholder including providing more accessibility through greater use of technology; and
- Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members and employers.

## Measuring whether we meet our Communication Objectives

We will monitor our success against our communication objectives by analysing and measuring the responses to the scheme member and employer surveys, and monitoring usage of Member Online, Pensions Online and the Fund's website.

Specific measures and targets are agreed by the PSB and contained in the Fund's Scorecard which is regularly reported to the PSB and PAB.

## **General Communication**

When considering how to communicate with our stakeholders we take into account the intended audience to ensure that our messages are delivered in a useful and easy to follow manner. This may involve using more than one method of communication based on the intended audience, albeit the Fund will aim to use digital communications where appropriate to do so given the efficiencies and ease of access it provides, as well as it being more environmentally friendly. We tailor our communication to the recipient's needs, making sure that our messages are clear, consistent and use plain English.

We deliver our communication using the most appropriate method and will continue to develop our digital platforms to encourage greater accessibility to our service for all stakeholders. Scheme members will be able to elect not to receive electronic communications. In such cases if the Fund is required to provide information this will be provided in paper form.

Each of our communications have a clear purpose and fit into our overall communications plan, so that they are cost effective.

The Fund actively seeks feedback from each of our audiences to continually review, enhance and improve our communication methods. This feedback is both obtained through the annual survey of scheme members and employers as well as on an ad-hoc basis.

The Fund also adheres to other legislative requirements, including the General Data Protection Regulations, Freedom of Information Act and pension disclosure legislation.

## **Visual Identity**

The Fund understands that brand recognition is a valuable asset for pension funds, and will work to develop our own visual identity, alongside Essex County Council's existing brand, in order to influence how our stakeholders, relate to us.

Pension funds having their own style and brand results in communications which have greater impact, and that are instantly recognisable as pension related.

## **Accessibility**

The Fund is committed to ensuring that all stakeholders are able to access our services equally and recognises that some individuals may require information to be provided in specific formats. While demand for alternative formats remains low at present, the Fund is able to issue documents in braille, large print or audio format on request.

We are also continuing to develop our website [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk) to ensure that it meets the World Wide Web Consortium Accessibility Guidelines (version 2) "Double A" standard by 31 August 2020, in line with the recommended benchmark for all public sector websites.

## **Social Media**

The Fund recognises the growing importance for organisations to have an online presence and is currently in the process of developing a corporate LinkedIn profile and YouTube channel.

The LinkedIn account will primarily be used to raise our online profile in a business to business environment, promoting the Fund's innovations and achievements, and helping build relationships with other LGPS funds and professional bodies within the pensions industry.

Our YouTube channel will be used to deliver online learning and development content for scheme employers, increasing accessibility and reducing the economic and environmental impact of attending face to face training events.

## **Delivery of Communications**

The communications will be delivered from existing resources and overseen by a dedicated Communications Analyst working as part of the Technical Hub.

The Fund will work with an external provider with regards to the printing and mailing of certain bulk communications, such as annual benefit statements.

## **Key Messages and Communication Channels**

The following table shows the approach to stakeholder communication and the key messages that the Fund wishes to deliver.

Stakeholder	Communication	Key Message
<b>Active Members</b>	<ul style="list-style-type: none"> <li>- Website</li> <li>- Member Online</li> <li>- Prime Newsletter</li> <li>- Annual Benefit Statement</li> <li>- Scheme Literature</li> <li>- General Correspondence</li> <li>- Telephone Helpline</li> <li>- Pensions Roadshows</li> </ul>	<ul style="list-style-type: none"> <li>• Your pension is a valuable benefit</li> <li>• It is important that you understand how the LGPS works</li> <li>• Make sure you are saving enough for retirement</li> <li>• It is important that you understand the impact of any changes in legislation,</li> <li>• Your employer pays in to help you save for your retirement.</li> <li>• Remember you have other benefits that come with your pension.</li> </ul>
<b>Potential Scheme Members including Opt Outs</b>	<ul style="list-style-type: none"> <li>- Scheme information and guides</li> <li>- Website</li> <li>- General Correspondence</li> <li>- Telephone Helpline</li> <li>- Prime Newsletter</li> <li>- Pensions Roadshows</li> </ul>	<ul style="list-style-type: none"> <li>• It is important that you understand the impact of any changes in legislation including Pension Reform and Automatic Enrolment.</li> <li>• The LGPS is a good way to save for your retirement.</li> <li>• Your employer pays in to help you save for your retirement.</li> <li>• Most scheme members get tax relief on the contributions they pay into the LGPS.</li> <li>• Remember that other benefits come with the pension.</li> </ul>
<b>Deferred Scheme Members</b>	<ul style="list-style-type: none"> <li>- Website</li> <li>- Member Online</li> <li>- Deferred Newsletter</li> <li>- Annual Benefit Statement</li> <li>- Scheme Literature</li> <li>- General Correspondence</li> <li>- Telephone Helpline</li> </ul>	<ul style="list-style-type: none"> <li>• Your pension is a valuable benefit</li> <li>• Make sure you are saving enough for retirement</li> <li>• Keep your details up to date.</li> <li>• You need to understand how your pension worked when you left.</li> <li>• It is important to understand how the LGPS works now, and the impact of any changes in legislation.</li> <li>• Understand the implications of transferring out of the Scheme.</li> <li>• We will tell you if anything changes</li> </ul>
<b>Pensioner Members</b>	<ul style="list-style-type: none"> <li>- Website</li> <li>- Member Online</li> <li>- Pay Advices and P60s</li> <li>- Pensions Increase Advices</li> <li>- General Correspondence</li> <li>- Telephone Helpline</li> <li>- 'Your Time' Newsletter</li> </ul>	<ul style="list-style-type: none"> <li>• Keep your details up to date.</li> <li>• We are here to help with any questions you might have.</li> <li>• You will continue to get your pension no matter what changes happen.</li> <li>• Remember to phone the tax office with any tax queries you have.</li> <li>• Remember you have other benefits with your pension.</li> </ul>
<b>Dependent Members</b>	<ul style="list-style-type: none"> <li>- Website</li> <li>- Member Online</li> <li>- Pay Advices and P60s</li> <li>- Pensions Increase Advices</li> <li>- General Correspondence</li> <li>- Telephone Helpline</li> <li>- 'Your Time' Newsletter</li> </ul>	<ul style="list-style-type: none"> <li>• Keep your details up to date.</li> <li>• We are here to help with any questions you might have.</li> <li>• Remember to phone the tax office with any tax queries you have</li> </ul>

<b>Employers</b>	<ul style="list-style-type: none"> <li>- Website</li> <li>- Pensions Administration Strategy</li> <li>- Pensions Online</li> <li>- Employer Guide</li> <li>- Employer Newsletter</li> <li>- Email Alerts</li> <li>- Report and Accounts</li> <li>- Employer Meetings</li> <li>- Employer Forum</li> <li>- Training Workshops</li> </ul>	<ul style="list-style-type: none"> <li>• You have a responsibility to provide employees with information about the LGPS.</li> <li>• You need to understand how the Scheme works and the effect of any changes that happen.</li> <li>• The LGPS is a valuable benefit for members and you need to help educate them to understand the changes and the impact.</li> <li>• You have a responsibility to inform the Fund of any changes to scheme members circumstances.</li> <li>• You have a responsibility to provide the Fund with data in respect of your employees and to comply with your LGPS employer responsibilities as outlined in the Fund's Administration Strategy.</li> </ul>
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- Under Regulation the Fund is unable to provide specific financial pension advice in relation to individual member enquiries.

## Communicating with our Members

The Fund uses a variety of methods to communicate with scheme members, and differentiates between active, deferred and pensioner (including dependant) members when delivering key messages to each specific audience groups.

Scheme members can nominate representatives that the Fund will communicate with on their behalf, subject to the provision of an appropriate letter of authority signed by the scheme member.

We want all scheme members and their representatives to be able to access our services easily and therefore employ a range of media to educate them about the LGPS and their pension benefits, delivered in a clear and easily understood way to ensure that members can make informed decisions about their benefits.

- **Scheme Literature** – A range of literature including scheme guides and factsheets are produced by the Fund and is supplied to both employing bodies and to scheme members directly. Copies of all scheme literature is available on our website [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)
- **Annual Benefit Statements** – We provide personalised statements to active and deferred scheme members (where the address is known) every year. The statements are posted to the member's home address and are available digitally on Member Online. We are working towards digital being the default method for distributing these statements.
- **Newsletters** – We will issue newsletters specifically tailored to active, deferred and pensioner members annually. The contents cover current pension topics within the LGPS and wider pensions industry, along with important repeated messages. Additional newsletters may be issued to update members on important matters as they occur.
- **Website** – Our website [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk) includes extensive information and guides about the LGPS, and also contains factsheets, forms and up to date news about the Fund's activities and achievements.
- **Member Online** – The Fund has established an online facility (known as Member Online) which allows members to securely access their pension records, including viewing annual benefit statements and payslips, as well as letting them amend details, such as their contact information. It will be rolled out on a phased basis and it is expected to be available to all members by 31 March 2021.
- **Telephone Helpline** – A dedicated telephone helpline (0333 0138384) is provided for scheme members and is widely publicised in scheme literature.
- **General Correspondence** – The Fund uses both surface mail and e-mail ([pensionenquiries@essex.gov.uk](mailto:pensionenquiries@essex.gov.uk)) to receive and send correspondence.
- **Face to Face Meetings** – The Fund operates an open-door policy, and members are welcome to visit pension fund staff at our offices in County Hall during normal office hours.
- **Member Roadshows** – The Fund promotes the Scheme by hosting a number of roadshows for current and prospective members at key locations across the county every year, offering drop in sessions to answer queries or presentations on specific topics.
- **Pay Advices and P60s** – We issue pay advices to pensioner members every April, May and September plus if there is a change to the member's net pension of more than £5.00 or a tax code change. The pay advices are also used to convey important generic messages to pensioners.

## Communicating with Employers

To assist employers, the Fund has a range of communication materials and methods that aims to increase their understanding of pension issues and help them fulfil their responsibilities as scheme employers. By working together, we are able to provide a better service to our members.

- **Employer Team** – The Fund includes a dedicated Employer Team who liaise with scheme employers on all matters from bringing new employers and members into the Fund, reporting information to the Fund and fulfilling their regulatory requirements, to advising employers of the correct process for retiring employees.
- **Pensions Administration Strategy** – This strategy provides an overview of how the Fund and scheme employers will work together to achieve a high-quality service. It aims to set out the quality and performance standards expected of the Fund and its scheme employers and to promote good working relationships and improve efficiency between the Fund and its employers.
- **Employer Website** – The Fund website has a section for scheme employers. This holds resources such as employers' guidance, scheme employer newsletters and links to LGPS circulars and bulletins.
- **Employer Guidance** – The Fund has produced and maintains a variety of guidance to assist scheme employers to understand their role. This guidance is supplemented by the LGA guides for HR and for Payroll which are accessible on the Fund's website and on the [www.lgpsregs.org](http://www.lgpsregs.org) website.
- **Scheme Employer Newsletter** – The Fund produces a newsletter for scheme employers covering current issues, scheme changes and administration issues. This is sent to employers electronically by email.
- **E-mail Alerts** – The Fund sends a number of e-mail alerts to employers throughout the year with important pension related news and information.
- **Report and Accounts** – The Report and Accounts are produced annually and made available on the Fund's website.
- **Employer meetings or other ad hoc meetings** – The Fund holds a number of employer meetings at the offices of main employers in the Fund to which all Fund Employers are invited. The Fund also attends meetings with employers either at the request of the employer or if it has identified a need. These are usually to keep employers up to date with LGPS developments and to offer training and assistance to the employer to help them to carry out their pension obligations.
- **Employer Forum** – The Fund holds an employer forum each year which focuses on funding, valuation and administrative aspects of the fund and any developments in the scheme including identifying the likely impact of scheme changes. The Fund is trialling delivering the forum via a webinar to increase accessibility for employers.
- **Training Workshops** – The Fund offers training to all scheme employers on the LGPS and their role in administering the Scheme. Training covers the full range of administrative and regulatory activities and is tailored to the needs of the particular employer. The Fund is investigating the provision of training modules via its own YouTube channel to increase accessibility for employers.
- **Pensions Online** - The Fund is currently developing an online platform which allows employers to update their employee's pension records electronically. Selected employers are currently trialling the system and it will be open to all employers by 31 March 2021. Employers will be able to provide us with information relating to new scheme members, notify us of changes in hours or breaks in service, as well as providing leaving details in a safe and secure way, while delivering increased cost efficiency. We anticipate that Pensions Online will eventually provide a secure online hub where employers will be able to locate all necessary resources, information and correspondence from the Fund and its use will become compulsory for all employers.

## Communicating with Prospective Members

The Fund works with employers to promote the LGPS and reduce the number of members opting out of the scheme, particularly after automatic enrolment.

- **Scheme Information / Guide** – All prospective scheme members must be given basic information about the LGPS. The Fund requires employers to provide all employees information about the scheme and to provide either a hard copy of the short scheme guide or direct them to an electronic version, when they become eligible to join the scheme. The Fund's website has a section 'I am thinking of joining' which summarises the main benefits provided by the LGPS.
- **Website** – The Fund has established an extensive website [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk) containing scheme details, leaflets, guides and forms etc. There are also links to other organisations relevant to scheme members.
- **'Prime' newsletter** - We will issue a newsletter to members of the Fund at least once a year, the contents of which will cover current pension topics within the LGPS and the pensions industry in general. Employers are encouraged to make the newsletter available to all of their eligible staff regardless of whether or not they are currently contributing to the scheme.
- **Pensions Roadshow** – The Fund stages a number of pension roadshows at the offices of main employers in the Fund to which the employees of all Fund employers are invited. These events are not just aimed at scheme members but also at eligible employees who are not currently contributing to the scheme.

## Communicating with PSB, ISC and PAB members

Essex Pension Fund is run by Essex County Council (ECC), the Administering Authority for the LGPS in Essex. The governance arrangements centre on the three bodies; PSB, ISC and PAB.

The Fund works closely with the PSB, ISC and PAB to ensure that they are fully informed on pensions matters and have sufficient knowledge to fulfil their duties and responsibilities, including providing ongoing training for committee and board members.

The PSB, ISC and PAB each meet on a quarterly basis, and details of upcoming meetings, including the meeting packs provided to the PSB, ISC and PAB members, can be found on the Essex County Council's website.

## Communicating with Pension Fund Staff

It is important that our staff are kept informed about the Fund's aims, achievements and the progression of the Business Plan. They should also be knowledgeable about the LGPS and aware of important changes within the overall pensions industry.

Staff members are able to access technical information via websites, a centralised database and through both internal training opportunities and external training events. Updates are provided to staff using a range of methods including by email, via a bi-monthly newsletter, pension surgeries and face to face meetings with the Fund's Technical Hub and Management Team.

## Key Risks

The key risks (as set out in the Fund's Risk Register) are outlined below. The Senior Management Team led by the Director for Essex Pension Fund work with the PSB and PAB to monitor these and other risks and consider how best to respond to them:

- Issuing incorrect or inaccurate communications leading to a lack of understanding and/or complaints;
- Information delivered in a way that is not appropriate for members or employers, e.g. too complex, not relevant or in an unsuitable format;

- Communications are not customised to specific needs and/or are overly complicated resulting in lack of understanding by all stakeholders;
- Poor quality or lack of communications can lead to lack of understanding by all stakeholders.

### **Approval, Review and Consultation**

This version of the Communications Policy was approved at the PSB on 04 March 2020. It will be formally reviewed and updated at least every three years or sooner if the communications arrangements or other matters included within it merit reconsideration.

### **Further Information**

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

David Tucker, Technical Hub Manager, Essex Pension Fund

Email – [David.tucker@essex.gov.uk](mailto:David.tucker@essex.gov.uk)

Jody Evans, Interim Director for Essex Pension Fund

Email - [Jody.evans@essex.gov.uk](mailto:Jody.evans@essex.gov.uk)

Essex Pension Fund

County Hall

Seax House

Chelmsford

Essex

CM1 1QH

## Appendix A – Communication Plan

Method	Audience	Format	Frequency
Annual Benefit Statements	Active Members Deferred Members	Paper version posted to home address. Electronic version via Member Online.	Annually
'Prime' Newsletter	Active Members	Paper version posted to home address (included with ABS). Available on website.	Annually, plus additional newsletters after major scheme changes.
Deferred Newsletter	Deferred Members	Paper version posted to home address (included with ABS). Available on website.	Annually, plus additional newsletters after major scheme changes.
'Your Time' Newsletter	Pensioner Members	Newsletter sent to those pensioners we hold an e-mail address for. Available on website.	Annually, plus additional newsletters after major scheme changes.
Pay Advices	Pensioner Members	Paper version posted to home address. Member Online.	April, May and September, plus after change in net value of more than £5 or tax code change.
Pension Increase Letters	Pensioner Members	Paper version posted to home address. Member Online.	Annually
P60s	Pensioner Members	Paper version posted to home address. Member Online.	Annually
Member Roadshow	Active and Prospective Members	Face to Face	On request
Drop in Service	All	Face to Face	Always available
Factsheets and Scheme Guides	All	Website	Always available
Website	All		Always available
Phone	All		Always available
Employer Workshops	Employers	Face to Face and/or Webinar	On request
Pension Fund Report and Accounts	All	Website	Annually
Employers Guide	Employers	Website E-mail	Always available
Pensions Administration Strategy	Employers	Website	Always available (reviewed at least every 3 years)
Pension Fund Valuation Reports	Employers	Website E-mail	Always available
Employers Forum	Employers	Face to Face and/or Webinar	Annually
Employer newsletter	Employers	Website E-mail	Annually



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07</b>
<b>Date: 04 March 2020</b>	

### **Scheme Advisory Board (SAB) Good Governance Project**

Joint Report by the Compliance Manager and the Independent Governance & Administration Adviser (IGAA)

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Enquiries to Amanda Crawford on 03330 321763

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

- 1.1 To provide the Board with an overview of the proposals made by Hymans Robertson within the Good Governance in the LGPS Phase II report along with the Fund's self-assessment against the recommendations made.

#### **2. Recommendation**

- 2.1 The Board should note the report and update.

### **3. Background**

- 3.1 The Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which will strengthen LGPS governance going forward.
- 3.2 During July 2019, Hymans Robertson issued their Phase I report containing four key proposals which the Fund conducted a self-assessment against and reported the results to the Board at their 18 December 2019 meeting.
- 3.3 During November 2019, Hymans Robertson issue their Phase II report building on the proposals made in Phase I and put forward 17 recommendations to be implemented by various stakeholders within the LGPS including: Administering Authorities; The Ministry of Housing, Communities and Local Government (MHCLG); the SAB; and the Local Government Association (LGA).
- 3.4 At this stage, both phases of the Good Governance project are guidance only.

### **4. The Fund's Assessment**

- 4.1 Fund Officers have combined the self-assessment for Phase I brought to the Board at its last meeting with the Phase II self-assessment template for ease and consistency.
- 4.2 Using the Phase II report, in consultation with the Independent Governance & Administration Adviser (IGAA), Fund Officers have carried out a self-assessment against the 17 recommendations made. This can be found at Appendix A.
- 4.3 In summary, the Fund is fully compliant on 5 recommendations, partially/mainly compliant on 3 and in regard to the remaining 9 recommendations the Fund is awaiting further guidance from MHCLG/SAB.
- 4.4 The complete Good Governance in the LGPS Phase II report can be found at Appendix B.

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

- 5.1 Assessing the Fund's compliance against the recommendations as part of the Good Governance project will assist the Board in achieving the following Fund objectives:
  - Act with integrity and be accountable to our stakeholders;

- Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise; and
- Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

## **6. Risk Implications**

6.1 Failure to assess the Fund's compliance against the recommendations made as part of the Good Governance project could result in:

- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage;
- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables;
- Failure of Officers to maintain sufficient level of competence and/or resource to discharge their duties and inefficient retention of staff with over reliance on key Officers;
- Failure to recognise, disclose, monitor and prevent conflicts of interest; and
- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss.

## **7. Communication Implications**

7.1 None.

## **8. Finance and Resource Implications**

8.1 None.

## **9. Background Papers**

9.1 PSB 06 19 December 2019.



**SAB Good Governance Project Phase II**  
**Essex Pension Fund self-assessment against recommendations**

Recommendation	Why	Suggested Actions	EPF Self-Assessment
A - General			
<b>A1 – MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).</b>	To enable funds to effectively implement the recommendations below.	It is envisaged that all the recommendations made in this document will be enacted via the introductions of new statutory guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.	<b>Not applicable – action for MHCLG</b>
<b>A2 – Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).</b>	To improve accountability for fund governance.	This may be the S151 officer assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role.	<p><b>Fully compliant</b></p> <p><u>Director for Essex Pension Fund</u>  The Director for Essex Pension Fund role should meet the expected requirements for the LGPS senior officer.</p> <p>As detailed within the Essex County Council Constitution, the Director for Essex Pension Fund is:</p> <ul style="list-style-type: none"> <li>(i) To be responsible for the day to day operational management of Essex Pension Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the Pension Strategy Board or Investment Steering Committee.</li> <li>(ii) To agree the terms and payment of bulk transfers to and from the Essex Pension Fund.</li> <li>(iii) To decide any other Pension Fund related urgent matter, that might otherwise be considered by the Pension Strategy Board or Investment Steering Committee, after consultation with the Chairman of the Pension Strategy Board.</li> </ul>

Recommendation	Why	Suggested Actions	EPF Self-Assessment
<b>A3 – Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer, and where different, co-signed by the S151 officer.</b>	To improve the transparency and auditability of governance arrangements and in accordance with statutory governance guidance.	The preparation of this statement will be the responsibility of the LGPS senior officer and must be co-signed by the host authority's S151 officer where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.	<b>Not applicable – initial action required from MHCLG</b>  It is expected that MHCLG will determine the format of the annual governance compliance statement within statutory guidance, and at that stage the Fund will start producing the compliance statement.
B – Conflicts of Interest			
<b>B1 – Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.</b>	Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focussed on the elected member register of interest and code of conduct.	The guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the area that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS.	<b>Fully compliant</b>  <u>Conflict of Interest Policy</u> The Fund have developed their own Conflict of Interest Policy in consultation with the Independent Governance & Administration Adviser (IGAA) and is due to be approved by the Essex Pension Fund Strategy Board on 04 March 2020 and subsequently published.

Recommendation	Why	Suggested Actions	EPF Self-Assessment
<b>B2 – The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.</b>	During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance.	The SAB working group came to the conclusion that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles	<b>Not applicable – action for MHCLG and SAB</b>  Once the relevant guidance has been produced, the Fund will consider it and make any necessary changes to their operating arrangements.
C – Representation			
<b>C1 – Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.</b>	The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote.	The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide: <ul style="list-style-type: none"> <li>• The rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and</li> <li>• The rationale as to whether those representatives have voting rights or not.</li> </ul>	<b>Mainly compliant; subject to further information being provided by MHCLG</b>  <u>Essex Pension Fund Terms of Reference and Essex Pension Fund Governance Policy and Compliance Statement</u> The Essex Pension Fund have employer and scheme representatives on all of its governance bodies. The approach to representation and voting rights for all are included in the published Terms of Reference within the Council's Constitution and included with the Fund's Governance Policy and Compliance Statement.

Recommendation	Why	Suggested Actions	EPF Self-Assessment
D – Skills and training			
<b>D1 – Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.</b>	While there exists a statutory duty on members to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.	The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund.	<p><b>Not applicable – action for MHCLG</b></p> <p>When the Guidance is introduced, the Fund will review the Essex Pension Fund's approach to training/knowledge and understanding to ensure it remains in line with the requirements in the Guidance.</p>
<b>D2 – Introduce a requirement for s151 officer to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.</b>	As D1.	There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by s151 officers of an administering authority.	<p><b>Not applicable – action for MHCLG</b></p> <p>When the Guidance is introduced, the Fund will review the Essex Pension Fund's approach to training/knowledge and understanding to ensure the s151 Officer remains in line with the requirements in the Guidance.</p>
<b>D3 – Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.</b>	As D1.	Training records must be maintained.	<p><b>Partially compliant; expected to be fully compliant in 2020/21</b></p> <p><u>Knowledge and Skills Training Strategy</u> The Fund's Knowledge and Skills Training Strategy is published within the Annual Report and Accounts.</p> <p>The Fund are also in the process of reviewing this Strategy to ensure it is in line with current guidance. In addition, the 2020/21-2022/23 Business Plan (due to be approved by the PSB at their 04 March 2020 meeting) has set out the training requirements of PSB, ISC and PAB Members and an individual training needs analysis will be carried out during 2020/21.</p>

Recommendation	Why	Suggested Actions	EPF Self-Assessment
<b>D4 – CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their qualification syllabus.</b>	As D1.	A level of LGPS knowledge should also be attained by s151 officers of other public bodies participating in the LGPS, although it is not expected that they should have in-depth and breadth of knowledge required of the s151 officer of an administering authority. This should be specified and administered by an appropriate professional body.	<b>Not applicable – action for MHCLG and SAB</b>
E – Service delivery for the LGPS function			
<b>E1 – Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.</b>	Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function.	The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a "roles and responsibilities matrix" which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make. The "roles and responsibilities matrix" should reflect the host authority's scheme of delegation and constitution and be supported by a clearly documented management structure.	<b>Not compliant – unable to achieve full compliance until the guidance in relation to the matrix has been issued.</b>  The Fund does not have a full roles and responsibilities matrix in place. Furthermore, the detailed requirements in relation to this are not yet known. It is expected that the majority of the information, to develop the matrix, will be readily available based on the pension elements within the Essex County Council's Constitution, and existing job profiles for senior officers.
<b>E2 – Each administering authority must publish an administration strategy.</b>	To provide clarity on the approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013.	The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.	<b>Fully compliant</b>  <u>Administration Strategy</u> The Fund have an administration strategy which is reviewed periodically. The last version was reviewed and published in December 2018.

Recommendation	Why	Suggested Actions	EPF Self-Assessment
<b>E3 – Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.</b>	To introduce measures against the standards of LGPS service delivery	A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.	<b>Expected to be fully or mainly compliant; subject to confirmation of key performance indicators</b>  <u>Scorecard</u> The Fund have built and utilise a Scorecard which is updated on a quarterly basis and is reported to each PSB and PAB meeting. This includes key performance indicators relating to the Fund's objectives as outlined in all its policies and strategies. It is expected that the majority of national key performance indicators will be ones already being used within the Fund's Scorecard.
<b>E4 – Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.</b>	Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose.	It is important that the fund's budget is set and managed separately from the expenditure of the host authority. Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund's officers and the pension committee and assisted by the local pension board.	<b>Fully compliant</b>  <u>2020/21 – 2022/23 Business Plan</u> The 2020/21 – 2022/23 Business Plan, complete with a Strategic Budget for the Fund to deliver its objectives is due to be approved by the PSB on 04 March 2020.

Recommendation	Why	Suggested Actions	EPF Self-Assessment
<b>E5 – Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.</b>	<p>To ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to all fund employers and members.</p>	<p>It is important that the recruitment and retention practices applied to the pensions function facilitate the delivery of an effective pensions service to all fund employers and members. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.</p>	<p><b>EPF Self-Assessment</b>  <b>Currently compliant</b></p> <p><u>Recruitment</u>  All posts adhere to the Essex Pay Policy which applies a rate for the job to each post. Essex Pay Policy is not clear on the application of market supplements, and to date, there has been no need for market supplements to aid recruitment or retention of Fund staff.</p> <p>The Fund currently adheres to ECC recruitment policies and Essex Pay.</p>

Recommendation	Why	Suggested Actions	EPF Self-Assessment
F – Compliance and improvement			
<b>F1 – Each Administering Authority must undergo a biennial independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. Independent Governance Review (IGR) reports to be assessed by a SAB panel of experts.</b>	<p>To ensure required standards are adhered to consistently by regular independent review of administering authorities governance arrangements.</p>	<p>The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below:</p> <ul style="list-style-type: none"> <li>a. It will be mandatory for each Fund to commission an Independent Governance Review (IGR);</li> <li>b. There should be a standardised framework and process for IGRs;</li> <li>c. It is critical that the IGR should be conducted by appropriate persons who: <ul style="list-style-type: none"> <li>i. Properly understand the LGPS;</li> <li>ii. Sufficiently at arm's length from the administering authority's pensions function;</li> <li>iii. In some way 'accredited' to ensure consistent standards of review.</li> </ul> </li> <li>d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place ready for 2020/21;</li> <li>e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework;</li> </ul>	<p><b>Not applicable – initial action required from MHCLG</b></p> <p>It is expected that MHCLG will determine the exact requirements around how this independent review must be undertaken.</p> <p>However, the Fund already have in place an IGAA, appointed through the LGPS National Framework for Governance and Administration Consultancy Services as a 3<sup>rd</sup> party provider.</p> <p>The 2021/22 – 2022/23 Business Plan, due to be approved by the PSB on 04 March 2020, already includes the provision for an Independent Governance Review to be carried out by the IGAA which ensures the Fund is prepared for the MHCLG's final requirements.</p>

Recommendation	Why	Suggested Actions	EPF Self-Assessment
		<ul style="list-style-type: none"> <li>f. Administering authorities may choose to have their IGR review carried out by their internal audit;</li> <li>g. The IGR should be completed biennially;</li> <li>h. The SAB may direct that an administering authority must have an IGR completed outside of the two-year cycle;</li> <li>i. The IGR will report findings to the body and the local pension board;</li> <li>j. The administering authority must develop an improvement plan to address any issues raised by the IGR;</li> <li>k. The report from the IGR and improvement plan must be published and submitted to SAB;</li> <li>l. SAB will put in place a panel a panel of independent experts to scrutinise the IGR reports;</li> <li>m. The SAB panel may report unsatisfactory IGR to TPR or further escalate to MHCLG;</li> <li>n. Failure to submit an IGR report will result in automatic referral;</li> <li>o. A dry run is recommended in parallel with the timeline for drafting the required Guidance;</li> <li>p. Nothing in the process overrides an individual's responsibility to report breaches of the law under the Pensions Act 2004.</li> </ul>	

Recommendation	Why	Suggested Actions	EPF Self-Assessment
<b>F2 – LGA to consider establishing a peer review process for LGPS Funds.</b>	To provide challenge and share learning.	LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.	<b>Not applicable.</b>

A full-page background image of a forest floor. The ground is densely covered with numerous small, purple crocuses in bloom. Tall, slender tree trunks rise vertically from the flower bed, their green foliage forming a canopy above. Sunlight filters through the leaves, creating a dappled light effect on the forest floor.

# Good governance in the LGPS

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**Phase II report from Working Groups to SAB**

November 2019

## Process

Following on from the presentation of the Good Governance Report to the SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

This report has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework.

## Thanks to contributors

Thank you to the following who contributed to the working groups and this report.

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**Robert Holloway** SAB secretariat, LGA

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London Borough of Ealing, Scheme Employer  
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### Hymans Robertson facilitators:

Catherine McFadyen, John Wright, Ian Colvin, Steven Law

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# Terminology

## Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

## Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended:

**Administering authority** refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example “Each administering authority must publish an annual report.”

**Committee.** A committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example “The pensions committee should have a role in developing the business plan.”

**Host authority** refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example “Delivery of the LGPS function must be constant with the constitution of the host authority.”

**The fund** carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example “Taking this course of action will improve the fund's administration”.

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years.”

# Workstream 1: Standards and outcomes

## Proposals and background

### A. General

1. It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.
2. In order to improve the accountability for fund governance, it is proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund’s business. The role of the responsible person should be assigned through the host authority’s scheme of delegation and constitution. If the person who undertakes this key role within the host authority changes it may be necessary for the role of the responsible person to be reviewed.
3. In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority’s s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.



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**A.1** MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

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**A.2** Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

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**A.3** Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.

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## B. Conflicts of interest

1. Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed. Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focused on the elected member register of interest and code of conduct. The Guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the areas that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS as listed:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contribution setting for the AA and other employers.
- Cross charging for services or shared resourcing between the AA and the fund
- Dual role of the AA as an owner and client of a pool
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining clear records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded.
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.
- In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

Each fund should be required to make public its conflicts of interest policy.

2. During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance. The SAB working group came to the conclusion that that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles and provide a guide which illustrates how these might be applied to the LGPS. It would be helpful for The Guidance to make reference to the SAB's findings in this area.

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**B.1** Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

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**B.2** The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

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## C. Representation

1. The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote. Primary legislation in the form of the Local Government Act 1972 allows local authorities wide discretion over committee appointments and delegations and this issue ultimately remains one of local democracy.

The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

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**C.1** Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.

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## D. Skills and training

1. The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.

The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund. At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

Training should be delivered as part of a supportive environment and committee and board members will not be required to undertake tests, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to Committee and senior officers within the context of an appropriate LGPS specific framework, for example the CIPFA knowledge and skills Code of Practice and Framework (currently being updated). As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

Training records must be maintained.

2. There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS, although it is not expected that that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority. This should be specified and administered by an appropriate professional body.

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**D.1** Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

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**D.2** Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

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**D.3** Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

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**D.4** CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

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## E. Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.

1. Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function. The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a “roles and responsibilities matrix” which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make.

The “roles and responsibilities matrix” should reflect the host authority’s scheme of delegation and constitution and be supported by a clearly documented management structure.

2. The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.
3. A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.

It is acknowledged that there are inherent difficulties in drawing conclusions when comparisons are not always on a true like for like basis but it is preferable to introduce measures now and seek to improve the measurement approach over time.

4. Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund’s budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund’s business plan and deliverables for the forthcoming year. The practice should not simply be to uprate last year’s budget by an inflationary measure or specify an “available” budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund’s business plan but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority’s scheme of delegation and constitution.



## E. Service delivery for the LGPS function (continued)

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard. If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

5. Each Administering Authority has a duty to ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to the all fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.

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**E.1** Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.

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**E.2** Each administering authority must publish an administration strategy.

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**E.3** Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

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**E.4** Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

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**E.5** Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.

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# Workstream 2: Compliance and improvement

## F. Compliance and improvement

One of the key features of the original Good Governance Review was the view that in order to ensure required standards are adhered to consistently there needs to be regular independent review of administering authorities governance arrangements.

1. The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below.
  - a. It will be mandatory for each Fund to commission an Independent Governance Review (“IGR”) which will audit the fund’s Governance Compliance Statement and review compliance with the requirement of the new statutory guidance.
  - b. There should be a standardised framework and process for IGRs which covers all areas set out in new MHCLG guidance.
  - c. It is critical that the IGR should be conducted by appropriate persons who:
    - properly understand the LGPS;
    - are sufficiently at arm’s length from the administering authority’s pensions function, that is, they do not have an existing contractual relationship with the administering authority which conflicts with their ability to carry out a properly independent and objective assessment of governance standards and compliance with new statutory requirements; and
    - are in some way “accredited” to ensure consistent standards of review.
  - d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place which sets out the standard requirements, standard reporting and standard fee for an LGPS IGR. Ideally this should be in place for 2020/21.
  - e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework, from which any LGPS Funds may appoint an external supplier.
  - f. Alternatively, administering authorities may choose to have their IGR review carried out by their own internal audit or another appropriate party to the same standards as the framework.
  - g. Each administering authority should have an IGR completed biennially, by a date which will be notified by the SAB.
  - h. The SAB may direct, as a result of concerns about the governance of a fund (or for another reason), that an administering authority must have an IGR completed outside of the two-year cycle.
  - i. The IGR will report findings to the body and/or individual with delegated responsibility for delivery of the LGPS as set out in the roles and responsibilities matrix and to the local pension board.
  - j. The administering authority must develop an improvement plan to address any issues raised in the IGR.
  - k. The report from the IGR and improvement plan must be published and also be submitted to SAB and relevant SAB sub-committees.
  - l. SAB will put in place a panel of independent experts to scrutinise the IGR reports, looking for outliers and areas of concern. The panel of experts will be drawn from LGPS stakeholders to include the s151 community and other parties as appropriate.
  - m. The SAB panel may enter into discussions with funds where the panel find the IGR report or agreed improvement plan or progress against a previous improvement plan are considered to be unsatisfactory. Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.
  - n. Failure to submit an IGR report by the required date will result in automatic referral.
  - o. A dry run is recommended in parallel with the timeline for drafting the required Guidance.
  - p. Nothing in this process overrides an individual’s responsibility to report breaches of the law under the Pensions Act 2004 or any other professional or legal whistleblowing obligations.





## F. Compliance and improvement (continued)

2. LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.

**F.1** Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

IGR reports to be assessed by a SAB panel of experts.

**F.2** LGA to consider establishing a peer review process for LGPS Funds.

### Summary of the compliance and improvement process

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS requirements.

Biennially, each administering authority to commission an Independent Governance Review (IGR).

IGR reports to senior LGPS officer, pensions committee and pensions board.

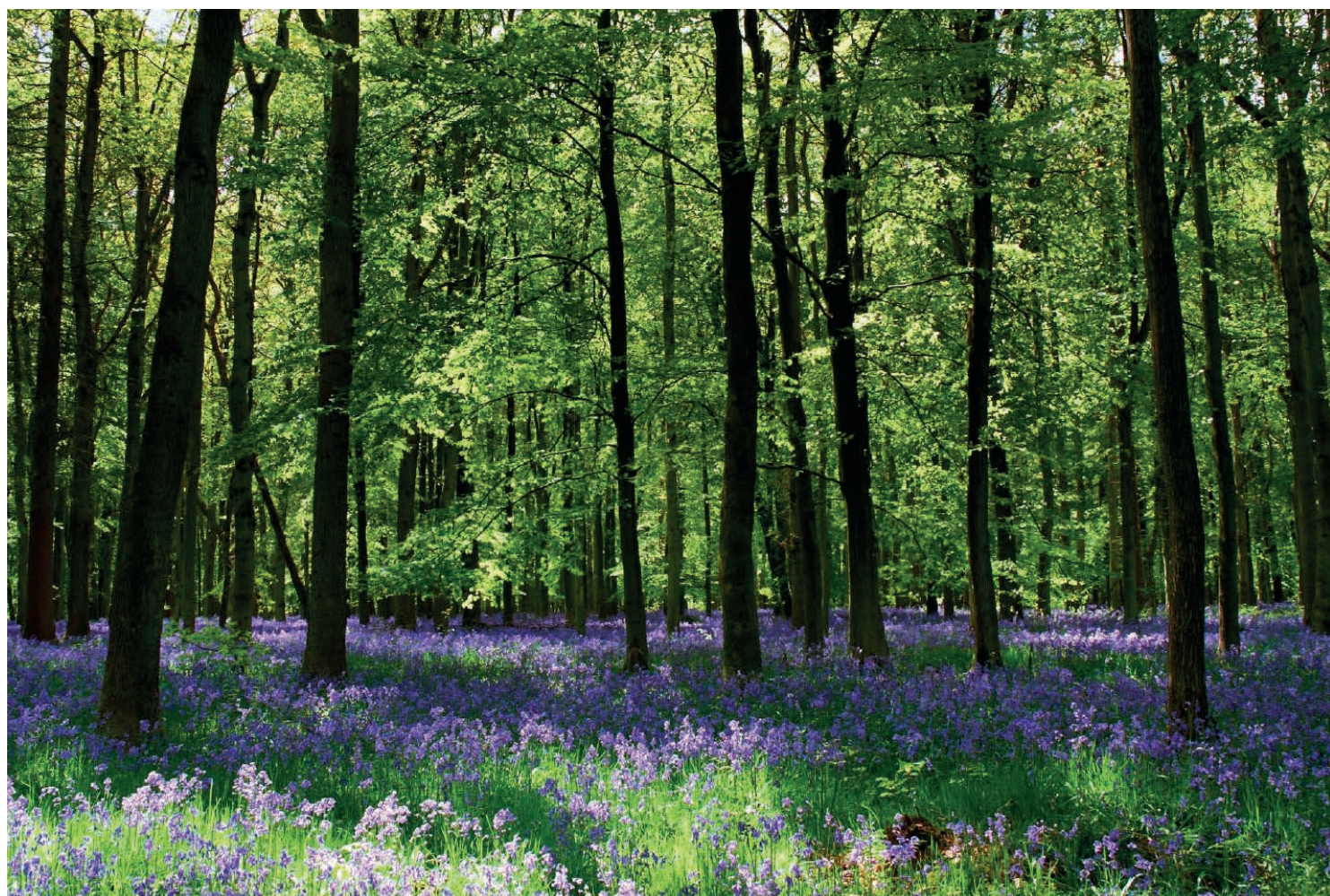
IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG


# Next steps

The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.

Phase III should contain the following elements:

- 1.** MHCLG to draft the required changes to the Guidance.
- 2.** SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
- 3.** SAB to establish the 10-15 KPIs referred to within proposal E.3.
- 4.** It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.



A full-page background image of a lush forest. The ground is covered in a dense carpet of small, vibrant purple flowers, likely bluebells. Tall, slender tree trunks rise vertically from the forest floor, their leaves forming a thick green canopy overhead. Sunlight filters through the leaves, creating dappled light on the forest floor.

Appendix A

# Summary of recommendations

Area	Proposal
<b>A. General</b>	<b>A.1</b> MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").
	<b>A.2</b> Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").
	<b>A.3</b> Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.
<b>B. Conflicts of interest</b>	<b>B.1</b> Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.
	<b>B.2</b> The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.
<b>C. Representation</b>	<b>C.1</b> Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
<b>D. Knowledge and understanding</b>	<b>D.1</b> Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	<b>D.2</b> Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
	<b>D.3</b> Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	<b>D.4</b> CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
<b>E. Service delivery for the LGPS function</b>	<b>E.1</b> Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.
	<b>E.2</b> Each administering authority must publish an administration strategy.
	<b>E.3</b> Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
	<b>E.4</b> Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
	<b>E.5</b> Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.
<b>F. Compliance and improvement</b>	<b>F.1</b> Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	<b>F.2</b> LGA to consider establishing a peer review process for LGPS Funds.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 08</b>
<b>Date: 04 March 2020</b>	

## **Arrangements for PSB Representatives**

Report by the Compliance Manager

Enquiries to Amanda Crawford: 0333 0321 763

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

- 1.1 To update the Board on the progress to fill the two upcoming vacancies on the Essex Pension Fund Strategy Board (PSB) for the Other Employing Bodies representative and the Scheme Member representative (UNISON).
- 1.2 To advise the Board of the processes undertaken and the results for the recruitment of the PSB's Other Employing Bodies representative and Scheme Member representative (UNISON).

### **2. Recommendation**

- 2.1 That the Board note the reappointment of Sandra Child as the Scheme Member representative (UNISON).
- 2.2 That the Board note the update in relation to the recruitment process for the Other Employing Bodies representative.

### **3. Background**

#### Scheme Member Representative (UNISON)

- 3.1 The Board were notified at their 18 December 2019 meeting that the 4-year term for the Scheme Member representative provided by UNISON would expire end of March 2020.
- 3.2 For consistency of knowledge and skills that the current Scheme Member representative had attained throughout their term, the Board requested that UNISON be approached to reappoint the current incumbent for another term.

#### Other Employing Bodies Representative

- 3.3 The Board were notified at their July 2019 meeting that the current Other Employing Bodies representative would be retiring during the summer of 2019 and would not be able to carry out their role on the PSB after the 11 September 2019 PSB meeting.
- 3.4 Members of the PSB agreed at their 11 September meeting to extend the term of the current incumbent whilst they continued to assist their Employer with ad hoc support, thus providing consistency throughout the Valuation process. The current incumbent agreed to stay on the Board until the March 2020 meeting.
- 3.5 The Board approved the recruitment process at their 18 December 2019 meeting.

### **4. Update on recruitment activity**

#### Scheme Member Representative (UNISON)

- 4.1 Fund Officers reached out to UNISON to request that the current incumbent be appointed for a further 6-year term to enable the Board to retain the knowledge and skills of the individual and to provide a good level of consistency.
- 4.2 UNISON contacted the Fund on 10 January 2020 stating that they had consulted with colleagues that represent their membership. This consultation ended on 07 January 2020 and they confirmed that they would like to nominate Sandra Child for another term of office.
- 4.3 A notice of term letter agreed by the Chairman was issued to Sandra Child on 21 February 2020.

### Other Employing Bodies Representative

- 4.4 A communication was issued to all eligible employers on 6 January 2020. As the Fund were reaching out to all employers to consult on the Funding Strategy Statement, approval was sought to use this as an opportunity to further advertise the vacancy.
- 4.5 The deadline for nominations had been extended to 29 February 2020.
- 4.6 A revision of the timeline to cover the next steps has been provided below:

#### **Timetable**

- |               |  |
|---------------|--|
| 09 March 2020 | Dependent on number of nominations, suitability interviews may be offered.<br><br>and/or<br><br>Invitation to vote for representatives – an email detailing the nominees will be sent out to all eligible employers asking for their vote (each employer has 1 vote) which will be taken via email to the <a href="mailto:Compliance.Team@essex.gov.uk">Compliance.Team@essex.gov.uk</a> . |
| 18 March 2020 | Voting closes – votes will be counted by the Compliance Team*.   |
| 20 March 2020 | Chairman and Vice Chairman informed of the outcome.  |
| 31 March 2020 | Arrangements made to notify PSB, PAB and eligible employers.   |
- 4.7 \*In the event of a tie, those individuals will be asked to attend an interview with the Chairman and/or Vice Chairman of the Board supported by Officers of the Fund.
- 4.8 The term of office for the person elected will be 6 years from their first meeting.

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

- 5.1 Fulfilling the Other Employing Bodies representative and Scheme Member Representative (UNISON) vacancies on the PSB will assist in the Board in achieving the following Fund objectives:

- 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; and
- Act with integrity and be accountable to our stakeholders.

## **6. Risk Implications**

6.1 Failure to include representatives of Other Employing Bodies and Scheme Members (UNISON) in the Board's membership could result in:

- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss;
- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables; and
- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

## **7. Communication Implications**

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

## **8. Finance and Resource Implications**

8.1 Budgetary provision will need to be made for the payment of appropriate expenses to the Other Employing Bodies representative.

## **9. Background Papers**

9.1 Arrangements for Other Employing Bodies Representative, PSB 07, 11 September 2019.

9.2 Arrangements for Other Employing Bodies Representative, PSB 04.a, 18 December 2019.

9.3 Arrangements for Scheme Member Representative, PSB 04.b, 18 December 2019.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 09</b>
<b>Date: 04 March 2020</b>	

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

Report by the Investment Manager

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Enquiries to Samantha Andrews: 0333 0138 501

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

- 1.1 To provide a report on ISC activity since the last Essex Pension Fund Strategy Board meeting.

### **2. Recommendations**

- 2.1 The Board agree:
  - that the report be noted.

### 3. Background

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on one occasion, 19 February 2020.

### 4. Report of the meeting of ISC on 19 February 2020

- 4.1 A report on Capital Markets outlook was presented to the Committee for noting.
- 4.2 A report was received detailing the process undertaken to date in regard to the review of the Investment Strategy Statement and Responsible Investment (RI). The Committee were reminded of the outcome from the RI workshop held on 25 October 2019 whereby RI beliefs were articulated.
- 4.3 The Committee **agreed** that the RI beliefs subsequently ratified at the November ISC meeting were an accurate reflection and that they had been fully translated into the RI Policy which was presented by Hymans Robertson at the meeting.
- 4.4 It was also **agreed** that the RI Policy presented be incorporated within the revised Investment Strategy Statement and be shared with the Fund's Investment Managers for comment and that the priority areas identified for RI be shared with the Local Authority Pension Fund Forum (LAPFF) and the Fund's Investment Managers as the basis for engagement.
- 4.5 A report tracking progress made to date in regard to the strategy implementation was noted.
- 4.6 The focus of the meeting's business was in regard to the strategic allocation structure review. In particular the completion of Stage 2, *reducing the equity allocation by 10% to 50% target allocation* and commencing consideration of Stage 3, *reducing the equity allocation by a further 5% to 45% target allocation*. This was supplemented with bitesize training presentations from Hymans Robertson of the Fund's current portfolio structure, timber and direct lending asset classes.
- 4.7 It was reaffirmed that in light of the 2019 Actuarial Valuation total Fund results the transfer of up to 15% of the strategic allocation from equities to return seeking alternative assets continues to remain appropriate.

- 4.8 The Committee **agreed**: the increase in the strategic allocation to timber from 2% to 4% of the Fund by increasing the target allocation of the existing manager, Stafford Capital Partners; a £100m commitment to Stafford International Investment Timberland (SIT) IX Fund; and that further consideration be given to Stafford's co-investments as and when suitable opportunities arise.
- 4.9 Consideration was also given to the remaining 2.5% allocation to complete stage 2, with the agreement to increase the strategic allocation to direct lending from 2.5% to 5%, by commencing a procurement process for a new direct lending manager to manage the new 2.5% allocation. Shortlisted candidates will be interviewed by Committee Members at a future ISC meeting.
- 4.10 In regard to Stage 3 considerations, Members requested that further information be brought to a future meeting and that there being benefit in inviting one of the Fund's investment managers to give further training.
- 4.11 Members were reminded of the recent Competition and Markets Authority requirement, that at their November ISC meeting, strategic objectives were agreed for the Fund's Institutional Investment Consultants. Members were notified that on 10 January 2020 a meeting was held with the Chairman, Vice Chairman of the ISC along with Hymans Robertson and Fund Officers to discuss the objectives and agree a baseline assessment. It was noted that progress against these objectives would be periodically monitored by Fund Officers and a formal assessment would be brought back to the ISC in Q4 2020/21.
- 4.12 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS. Further to the resignation of Cllr Andrew Reid, ACCESS Joint Committee (AJC) Chairman in October, Members were informed that at the recent AJC held in December, Cllr Mark Kemp-Gee (Hampshire) and Cllr Susan Barker (Essex) were elected AJC Chairman and Vice Chairman respectively for a term of two years.
- 4.13 Updates were provided in regard to: the Inter-Authority Agreement; the launch of 4a sub funds; the progress to date of Phase 2 sub-fund seeding arrangements; and the successful appointment of *bfinance* to assist ACCESS with pooling illiquid assets.
- 4.14 The ISC **agreed** ACCESS Authorities S151 Officers' and AJC recommendation to accept the 2020/21 ACCESS Budget totalling £1.080m (£98k per Authority) to support the 2020/21 ACCESS Business Plan.

- 4.15 The Chairman provided an update on the meeting held between each Pool's Joint Committee Chairmen and the Scheme Advisory Board Chairman during January 2020.
- 4.16 Consideration was given to the proposal and rationale for re-tendering of the Fund's Independent Investment Adviser (IIA) arrangements. It was noted that Mark Steven's had undertaken the IIA role for almost five years with the ISC now being well established and to adhere to best practice it was appropriate to put the IIA contract out for tender. It was, therefore, **agreed** that Officers proceed with the necessary arrangements and that an ISC Appointment Sub Committee be established.

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

### **5.1 Investments:**

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

## **6. Risk Implications**

- 6.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement and the Fund's Risk Register.
- 6.2 No new risks have been identified during the quarter.

## **7. Communication Implications**

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

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

- 8.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £98,000 in 2020/21 and £109,000 in 2019/20.

8.2 The cost to the Fund was;

- £116,000 in 2018/19
- £94,000 in 2017/18
- £80,000 in 2016/17

## **9. Background Papers**

9.1 ISC meeting of 19 February 2020 – agenda and draft minutes.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 10</b>
<b>Date: 04 March 2020</b>	

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

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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

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

### **2. Recommendations**

2.1 That the Board should note the report.

### **3. Background**

3.1 The Essex Pension Fund Advisory Board (PAB) was established as the Local Pension Board for Essex in accordance with section 5 of the Public Service Pension Act 2013 and Part 3 of the Local Government Pension Scheme (LGPS) Regulations 2013.

3.2 Since the PSB's last meeting the PAB has met once on 15 January 2020.

### **4. Report of the meeting of PAB on 15 January 2020**

4.1 The PAB received a report from the Interim Director for Essex Pension Fund outlining the work undertaken by the PSB at their 18 December 2019 meeting. Additional items were provided to the PAB which included:

- the PAB Terms of Reference (TOR) for noting;
- Essex Pension Fund (EPF) Policies and Publications for noting the progress against each;
- the Good Governance Survey Phase I Self-Assessment;
- an update on the 2019 Valuation; and
- an update on Pension Fund Activity.

4.2 The PAB received a report from the Interim Director for Essex Pension Fund detailing the recent PAB review undertaken. Key highlights included:

- PAB TOR approved by Full Council on 8 October 2019 and published within the Essex County Council Constitution;
- the review of Scheme Member and Other Employer Representatives completed. Two new Scheme Member Representatives were appointed and in addition, the Other Employer Representative was re-elected from 1 August 2019;
- two-year extension of the Chairman's arrangement, in line with the revised PAB TOR;

- the number of PAB meetings increased from three to four per year and to take place directly after the PSB meetings to enable the PSB to be observed by PAB Members if they had the capacity to do so; and
- the PAB were notified that the Independent Governance & Administration Adviser (IGAA) would review the effectiveness of the PAB in 12 months' time.

- 4.3 The Compliance Manager notified the PAB of the requirements in the Pension Regulators (tPR) Code of Practice 14. Members were informed that the Fund had completed a self-assessment to assess the Fund's level of compliance against the Code. The full report along with its appendices can be found at Appendix A to this report.
- 4.4 The IGAA notified PAB Members that tPR were reviewing their Codes of Practice with the desire to produce one Code of Practice called the Singular Modular Code. Once available it would be subject to consultation.
- 4.5 The PAB were provided with a report detailing the progress made in regard to the review of the Fund's Business Continuity Plan. Members were informed that the IGAA would be asked to perform a quality assurance check of the work carried out by the Fund once completed and that the full Business Continuity Plan and Testing Plan would be provided to the PAB at a future meeting.
- 4.6 A verbal update was provided in regard to the pending Scheme Advisory Board (SAB) Pension Board Survey.
- 4.7 The PAB received a report showing all the papers / documents that had been sent to PAB Members since their last meeting. The PAB were advised that the paper had been expanded to include the main subjects that were discussed in the relevant papers / documents as requested by the Chairman at their last meeting.
- 4.8 The PAB were also provided with a Pooling update via presentation from the Interim Director for Essex Pension Fund.

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

- 5.1 Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

## **6. Risk Implications**

- 6.1 Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss

## **7. Background Papers**

- 7.1 PAB agenda and notes of 15 January 2020 meeting.

<b>Essex Pension Fund Advisory Board</b>	<b>PAB 05</b>
<b>Date: 15 January 2020</b>	

## **The Pension Regulator Code of Practice 14 Compliance**

Report by the Interim Director for Essex Pension Fund  
Enquiries to Jody Evans on 0333 0138 489

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

- 1.1 To provide the Board with the results of the Fund's self-assessment compliance check against the Pension Regulator (tPR) Code of Practice 14 assessment tool for Public Service Pension Schemes.

### **2. Recommendation**

- 2.1 The Board to note report.

### 3. Background

- 3.1 TPR state that it is important for Scheme Managers to assess how they are running their public service pension scheme so that they can identify any areas in need of improvement.
- 3.2 TPR expect all schemes to carry out a thorough review of their scheme against legal requirements and the guidance in Code of Practice 14 and acknowledge that this requirement is a significant piece of work.
- 3.3 TPR's Code of Practice 14 provides Scheme Managers and Pension Board Members with their key governance and administration duties, standards of conduct and practice that tPR expect in relation to those duties, and practical guidance on how they can comply. A guide to the Public Service Code is provided at Appendix A which contains information where to find the full version of Code 14.
- 3.5 To enable Scheme Managers to assess their level of compliance to the code, tPR have produced a tool which sets out some processes, tools and actions they expect to see in a well-run scheme.
- 3.6 The tool provides an indicative risk rating for the scheme in certain key areas, as well as guidance and links to further information. It also provides a template for the Scheme Manager to create a plan to address any issues identified and to help the Scheme Manager achieve best practice.

### 4. Assessment

- 4.1 Fund Officers utilised the Assessment Tool and have attached the Results at Appendix B along with an Action Plan at Appendix C of this report.
- 4.2 In summary:
  - the Fund have two Amber scores (75% compliance) with two areas of improvement identified within governing your scheme;
  - the Fund have 100% compliance with one area of improvement identified within managing risk and issues; and
  - the Fund have 100% compliance with one area of improvement identified within administration.

### 5. Governing your Scheme

- 5.1 Eight questions were asked within this section with 25% (two) requiring further development.

- 5.2 The Fund have a LGPS Knowledge and Skills Training Strategy and monitor Members training against the strategy and plan using a training log. This is updated on a quarterly basis. In addition to this, Members are encouraged to attend various conferences and seminars throughout the year.
- 5.3 However, one area requiring further improvement is the individual training needs analysis of individual Boards/Committee Members.
- 5.4 The current strategy is in the process of being reviewed by Fund Officers in consultation with the Independent Governance & Administration Advisor (IGAA) and will look to include individual training needs analysis of each Member of the Boards/Committee.
- 5.5 In addition, the other area identified requiring further improvement relates to the Conflict of Interest Policy which is due to be approved by the Essex Pension Fund Strategy Board (PSB) at their 4 March 2020 meeting.

### **6. Managing Risk and Issues**

- 6.1 Six questions were asked within this section. Although the Fund have achieved 100% compliance, Fund Officers have highlighted further improvement within this area to develop a Fund Policy to identify, assess and report breaches of the law. Currently the Fund utilises the policy and process owned by the Administering Authority and therefore the Fund does not have its own Policy in place in relation to this.
- 6.2 This is in the process of being reviewed by the Fund's Officers in consultation with the IGAA.

### **7. Administration**

- 7.1 Eight questions were asked within this section. Although the Fund have achieved 100% compliance, Fund Officers have highlighted further improvement within this area to complete the Fund's Data Improvement Plan.
- 7.2 The Systems Manager carries out an annual data cleansing exercise that is carried out at year end. In addition to this, the Fund have been maintaining a data improvement plan since October 2018 to ensure 'Common Data' is clean to a 95% target.
- 7.3 TPR have recently issued templates to enable Fund's to develop their scheme specific data reporting. The Fund are currently building these reports into the Pensions Administration System to enable this to be measured and reported to tPR.

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

8.1 Conducting a self-assessment against tPR Code of Practice 14 will assist the Board in achieving the following Fund objectives:

- Act with integrity and be accountable to our stakeholders;
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise; and
- Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

### 9. Risk Implications

9.1 Failure to comply with tPR Code of Practice 14 could result in:

- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage;
- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables; and
- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss.

### 10. Communication Implications

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

### 11. Finance and Resources Implications

11.1 None.

### 12. Background Papers

12.1 The Pensions Regulator: Code 14: Governance and administration of public service pension schemes.

**Information  
for scheme  
managers and  
pension board  
members**

# **The essential guide to the public service code**

**Code of practice no. 14 – Governance and administration of public service pension schemes** helps you understand how to approach the administration and governance of a public service scheme. The full version of the code can be viewed at [www.tpr.gov.uk/code14](http://www.tpr.gov.uk/code14).

This essential guide provides an overview of the code and gives details of where to go to find out more. It can help you use the code but is obviously not exhaustive and it's not a substitute for reading the full code – which we expect all those involved with public service schemes to do.

## What is a code of practice?

Codes help the people who run pension schemes fulfil their legal duties. They aren't statements of the law, but they outline an approach that schemes can take to complying with the law. The courts have to take account of codes when considering whether legal requirements have been met, and we may refer to them when we exercise our powers.

**Code of practice no. 14 – Governance and administration of public service pension schemes** (the public service code) was laid before Parliament in January 2015.

## The public service code

This code provides scheme managers and pension board members with a summary of their key governance and administration duties, standards of conduct and practice we expect in relation to those duties, and practical guidance on how they can comply.

# Governance

## Knowledge and understanding

It's crucial that the people responsible for public service schemes know how to govern them as efficiently and effectively as possible. At the most basic level, pension board members need to understand how the scheme works so that they can effectively assist the scheme manager. However, there is a specific requirement for pension board members to have knowledge and understanding of the following areas:

- the scheme rules, eg eligibility for the scheme and scheme benefits
- documented administration policies, eg risk assessments/management, reporting breaches, keeping records and the responsibilities of the scheme manager, the pension board and individual pension board members, and
- the law relating to pensions eg relevant law that applies to their scheme.

There are also other areas that need to be understood if a scheme is to be governed well.

Schemes should keep track of training and other learning activities undertaken by board members and there should be someone responsible for ensuring that a training programme is developed and implemented. This should include preparing a list of the documents that pension board members need to be familiar with.

Pension board members should invest time in their learning and development and regularly undertake a personal training needs analysis to review their skills and knowledge.

Our e-learning programme can help meet the needs of pension board members, whether or not they have access to other learning.

## Conflicts of interest

It's important to be aware of any potential conflicts of interest on a pension board. A conflict of interest occurs when an individual has another interest which is likely to prejudice the way they carry out their role as a pension board member.

The scheme manager of a public service scheme must be satisfied that no pension board member has a conflict of interest. Schemes should have an agreed and documented policy which includes identifying, monitoring and managing potential conflicts of interest.

## Representation on pension boards

Having a variety of people and representation on the pension board should help to ensure that pension board discussions or decisions take into account the views and interests of those involved in the scheme.

Pension boards must have an equal number of employer and member representatives. It is also important for schemes to consider the mix of skills and experience needed on their pension boards so that they operate effectively.

See the chapter of the code entitled 'Governing your scheme' for more detailed information about knowledge and understanding, conflicts of interest and representation on pension boards.

# Risk

## Internal controls

Good internal controls are crucial. These are the arrangements, systems and procedures that the scheme has in place for scheme administration and management, overseeing that administration and management, and the security of scheme assets. Scheme managers must establish and operate controls which are adequate for ensuring that the scheme is administered and managed in line with the scheme rules.

Internal controls can help protect schemes from risks which could be detrimental to the scheme and the members if they are not addressed.

Schemes should ensure that sufficient time and attention is spent identifying, evaluating and managing risks. This includes developing and monitoring the controls that they use to keep these risks in check.

All schemes should carry out a risk assessment. Start by:

- setting out the objectives of the scheme
- identifying the activities that are carried out in the course of running the scheme, and
- pinpointing the main risks that could mean that the objectives and activities aren't met or delivered.

Not all risks are equal. Consider how likely they are to occur and the impact that they could have when deciding an order of priority for managing risks. Schemes should focus on risks where the likelihood and impact of one materialising is high.

Once risks are identified and assessed, they should be recorded in a risk register and reviewed regularly. For each risk there should be one or more internal controls to address it. See the chapter of the code entitled 'Managing risks' for more detailed information.

## Administration

### Keeping records

Complete, accurate and up-to-date records are key to the effective administration of a public service scheme. Good records make it easier to communicate, allocate contributions and pay benefits to the right people at the right time, without making costly mistakes. Scheme managers must keep the records set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

To ensure that the appropriate records are kept, they should be discussed and reviewed regularly. If there are problems with scheme records, there should be a plan to resolve them. Doing this early can save significant expense later.

It's important to regularly evaluate the accuracy of member records and that the scheme receives timely and accurate member updates from participating employers.

Schemes should review records at least annually, which should include an assessment of the accuracy and completeness of the information held. If a scheme outsources the management of records there must be effective controls in place to ensure the integrity of those records.

## Maintaining contributions

Receiving accurate contributions on time is very important. Contributions that are late or go unpaid may need to be reported to us.

Where member contributions are deducted from their pay, the amount deducted must be paid to the scheme by the 19th day of the month following the deduction (or by the 22nd day if paid electronically).

Employer contributions must be paid to the scheme in line with any requirements in the scheme regulations.

A public service scheme should have an effective process to identify and resolve payment failures with the employer. If scheme managers think that a payment failure is likely to be of material significance to us then it must be reported to us.

## Providing information to members

The information communicated to members will affect the decisions they make about their pension. This, in turn, can have a major bearing on the value of their pension.

Communications to members should be clear and easy to understand. They should avoid jargon and recognise that many members may not be familiar with financial words and phrases.

A range of methods to provide general information to members can be used, including post and email, although in some cases a particular method must be used, and in others a specific procedure must be followed before providing information electronically.

There is some specific information which must be provided to members (or prospective members), like basic scheme details when they join and annual statements showing the value of their benefits. Other information, for example about transfer credits or the constitution of the scheme, must be provided upon request from members (or others) (unless an exemption applies).

See the chapter of the code entitled 'Administration' for more detailed information on record-keeping, maintaining contributions and providing members with information.

# Resolving issues

Whether it relates to a breach of the law or a complaint from a member, issues that arise in public service schemes should be dealt with promptly and effectively.

## Internal disputes

Schemes must have an internal dispute resolution procedure (IDRP) to help resolve issues raised by members and others with an interest in the scheme. The IDRP can have one or two stages and decisions must be made and communicated within a reasonable period of the issue being raised under IDRP. The IDRP must state how someone can apply to have a pension dispute resolved (including any time limits), the details which must be included, and how and by when decisions are to be reached.

Members and others who make a complaint must be given information about The Pensions Advisory Service when the complaint is received, and the Pensions Ombudsman, when the decision is given, who may be able to help them.

## Reporting breaches of the law

It's important that breaches of the law are identified and assessed quickly, and reported if necessary. Scheme managers and pension board members (amongst others) must report breaches which they consider likely to be of material significance to us, so there should be effective procedures to enable them to identify and assess breaches. These should include giving those involved with public service schemes the opportunity to raise concerns, consider risks, and where necessary submit a report within an appropriate timescale. Do not wait for someone else to report.

We have an online service called **Exchange** where reports can be made. If they don't use **Exchange**, schemes should report to us by post, email or fax. We will not disclose information reported to us except where we are required to do so by a court and we'll take all reasonable steps to maintain reporter confidentiality.

See the chapter of the code entitled 'Resolving disputes' for more detailed information about the dispute and breach procedures that should be in place.

This document relates to Code of practice no. 14 – Governance and administration of public service pension schemes, which has been laid before Parliament and the Northern Ireland Assembly. The code is currently subject to Parliamentary and Assembly procedure and has no legal effect until it is brought into force by order. This document should be read in the light of this.

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### **An essential guide to the public service code**

Information for scheme managers and pension board members

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Results

Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR’s 2015 survey into the Governance and Administration of Public Service Schemes.

A summary of your results



## Results - Governing your scheme

Question 1 - Have you clearly defined and recorded the roles and responsibilities of the pension board?		
Your Answer:	Yes	Green
Feedback:	<p>You should keep roles and responsibilities under review, in particular considering any changes to scheme regulations or working arrangements (eg where certain functions are delegated by the scheme manager). Roles and responsibilities should be made clear during the board member appointment process, so they are clear about what is expected of them and what the role entails.</p> <p>You should also ensure these are communicated and understood by relevant parties such as the administrator, members or in the case of local government pension schemes, the pension committee, eg by publishing them alongside other pension board information.</p>	

Question 2 - Have you published information about the pension board and ensured it is kept up to date?		
Your Answer:	Yes – we publish information to legal requirements and provide additional information about the pension board and board business	Green
Feedback:	<p>Our code of practice sets out examples of additional information you may wish to consider publishing if you don't already do so. You should monitor all published data to ensure it remains accurate and complete.</p> <p>You should also ensure that the information is suitably accessible – it should be available to all scheme members and all staff who are eligible to be automatically enrolled into the scheme without them needing to ask for it. Further information is on our website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Publishing information about schemes</a> <a href="#">Website: Publishing scheme information</a>	

### Question 3 - Do you have policies and arrangements in place to help pension board members acquire and retain the requisite knowledge and understanding?

Your Answer:	Yes	Green
Feedback:	<p>Clearly defined policies and arrangements can help board members meet their legal obligations around knowledge and understanding. Four in five public service schemes have put such arrangements in place.</p> <p>You should keep your processes under regular review to ensure they remain effective and fit for purpose.</p>	
Useful Links:	<a href="#">Code of Practice 14: Knowledge and understanding required by pension board members</a>	

### Question 4 - Do you use the following for your pension board?

#### a) Training Plans

Your Answer:	Yes	Green
Feedback:	<p>Board members should regularly review their skills, knowledge and competencies to identify gaps and weaknesses, and should invest sufficient time in their learning and development.</p> <p>Many schemes use pension board training plans to help board members acquire and retain knowledge and understanding. If you don't already do so, you may wish to consider the use of individual training plans as the training needed may vary according to each member's role and expertise. Further information is in our code and our quick guide to personal development.</p>	

b) Individual training needs analysis		
Your Answer:	No	Amber
Feedback:	<p>Board members must have the required knowledge and understanding so they can perform their role properly. The training needed to acquire the degree of knowledge and understanding required may vary according to each member’s role and expertise. As such, training needs may be personal to the individual and you should consider the use of individual training needs analysis.</p> <p>You can use our tool ‘Assessing your Learning Needs’ to get you started. Further information can also be found in our code and our quick guide to personal development.</p>	
c) Training log		
Your Answer:	Yes	Green
Feedback:	<p>Many schemes use training logs to help board members track their learning. They help you demonstrate steps you have taken to comply with legal requirements.</p> <p>You should regularly review the training log to ensure that risks associated with knowledge gaps are being mitigated. Board members should keep their skills, knowledge and competencies under regular review to identify gaps and weaknesses for further training.</p>	
Useful Links:	<a href="#">Code of Practice 14: Knowledge and understanding required by pension board members</a> <a href="#">Quick guide to personal development</a> <a href="#">Template: Assessing your Learning Needs</a>	

Question 5 - Do you have a conflicts policy and procedure for pension board members?		
Your Answer:	In development	Amber
Feedback:	<p>Conflicts of interest in pension board members are prohibited.</p> <p>You should consider putting in place conflicts policies and procedures, which include identifying, monitoring and managing any interests that have the potential to become conflicts. Nine in ten public service schemes have put such processes in place.</p> <p>Further information is in our code.</p>	
Useful Links:	<a href="#">Code of Practice 14: Conflicts of interest and representation</a>	

Question 6 - Do you have a register of interests (or equivalent)?		
Your Answer:	Yes	Green
Feedback:	<p>A register is a simple and effective way of recording and monitoring interests.</p> <p>Conflicts should be included as an opening agenda item at pension board meetings and you should capture decisions about how to manage potential conflicts. The register of interests should be circulated to the pension board for ongoing review and published, for example on a scheme's website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Conflicts of interest and representation</a>	

## Results - Managing risks and issues

Question 1 - Do you have procedures in place for assessing and managing risk?		
Your Answer:	Yes	Green
Feedback:	<p>You should review your processes regularly to ensure they remain effective and fit for purpose. Seven in ten public service schemes aim to review the effectiveness of their risk management and internal controls systems at least annually. Our code provides practical guidance on risk management to consider in your review.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a> <a href="#">Checklist: Internal Controls</a>	

Question 2 - Do you have a risk register?		
Your Answer:	Yes	Green
Feedback:	<p>You should review risks regularly. Three in five public service schemes assess risks at least every quarter.</p> <p>The risk register, and any other internal controls you put in place, should be kept under review to ensure that they remain effective and fit for purpose.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a> <a href="#">Example Risk Register</a>	

### Question 3 - Where you have outsourced services, do you ensure that providers demonstrate that they have internal controls in place?

Your Answer:	Yes	Green
Feedback:	<p>You should review the effectiveness of your internal controls regularly, including those of your outsourced service providers.</p> <p>You should ensure that you receive sufficient assurance from providers on the services they provide – it should be sufficiently detailed and comprehensive for you to properly assess the effectiveness of their internal controls. Our code provides further guidance on internal controls.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a>	

### Question 4 - Do you have a service level agreement, or equivalent, in place with your scheme administrators, whether in house or outsourced?

Your Answer:	Yes	Green
Feedback:	<p>The administration of the scheme is where a larger proportion of the scheme manager's duties are carried out – it is vital that you pay attention to the way your scheme is administered.</p> <p>You should ask the administrator to attend relevant meetings, as this will help you better understand the administration function and identify improvements.</p> <p>You should regularly monitor the performance of your administrator against documented targets and take steps to address areas of poor performance.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a>	

**Question 5 - Are your internal dispute resolution arrangements clearly communicated to members and others?**

Your Answer:	Yes	Green
Feedback:	<p>You should consider using a variety of ways to communicate your arrangements to members, for example in joining booklets, benefit letters or decision letters. Schemes should also make their arrangements accessible to potential applicants, for example by publishing them on a scheme website, as some public service schemes do.</p> <p>You should ensure that the effectiveness of the arrangements is assessed regularly. Further information on internal dispute resolution is available in our code.</p>	
Useful Links:	<a href="#">Code of Practice 14: Internal dispute resolution</a>	

**Question 6 - Do you have procedures in place to identify, assess and report breaches of the law?**

Your Answer:	Yes	Green
Feedback:	<p>You should review your procedures regularly so they remain effective and fit for purpose. Some pension boards have made breach monitoring a standing agenda item, where they review all breaches (whether significantly material or not) to track progress and ensure issues are addressed.</p> <p>If a breach does occur and you think it is of material significance to us, you should report it to us as soon as possible. Don't wait for the issue to be resolved. Our code details information you should include in a report.</p>	
Useful Links:	<a href="#">Code of Practice 14: Reporting breaches of the law</a>	

## Results - Administration

### Question 1 - Do you have a process in place to ensure that information is provided to TPR as required (eg through the scheme return)?

Your Answer:	Yes	Green
Feedback:	<p>You must provide us with certain information and keep this information up to date, and complete a scheme return when asked.</p> <p>To help you meet your legal obligations, you should provide us with a 'scheme contact' via our online portal Exchange and make sure this information is kept up to date in light of role changes. Larger schemes may wish to provide several people with access to Exchange.</p>	
Useful Links:	<a href="#">Website: Reporting requirements</a> <a href="#">Exchange</a>	

### Question 2 - Do you have processes in place to monitor scheme records for all membership types on an ongoing basis and ensure they are accurate and complete?

Your Answer:	Yes	Green
Feedback:	<p>Processes should cover all membership types and you should review your these regularly to ensure they remain effective and fit for purpose. Guidance can be found in our code and on our website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Scheme record-keeping</a> <a href="#">Website: Types of records to keep</a>	

### Question 3 - Do you have controls in place to ensure that your employer(s) provides timely, accurate and complete data?

Your Answer:	Yes	Green
Feedback:	<p>Receiving good data from your employer(s) is key to your ability to maintain accurate scheme records. Though nine in ten public service schemes require employers to provide timely, accurate and complete data, schemes have reported that a significant proportion of employers do not provide this as a matter of course. This can create significant record-keeping issues, even in single employer schemes.</p> <p>You should work with employers to ensure that scheme and employer processes are effective and fit for purpose. Our guide to issuing annual benefit statements highlights examples of best practice for communicating and working with employers.</p>	
Useful Links:	<a href="#">Code of Practice 14: Scheme record-keeping</a> <a href="#">Quick guide to issuing annual benefit statements</a>	

### Question 4 - When did you last carry out a data review exercise?

Your Answer:	Within the last year	Green
Feedback:	<p>You should continue to carry out a data review at least annually. Data records should be additionally reviewed and cleansed when you change administrator or administration system/platform.</p> <p>Further information on record-keeping can be found in our code and on our website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Scheme record-keeping</a> <a href="#">Website: Types of records to keep</a>	

**Question 5 - Where you have identified poor quality or missing data, do you have an improvement plan to address issues?**

Your Answer:	Yes	Green
Feedback:	Your plan should have specific data improvement measures that you can monitor and an end date within a reasonable timeframe when the scheme will have complete and accurate data.	

**Question 6 - Do you have processes in place for monitoring scheme contributions, resolving issues and assessing whether to report payment failures to TPR?**

Your Answer:	Yes	Green
Feedback:	You should review your processes regularly to ensure they remain effective and fit for purpose. Guidance can be found in our code and our Managing contributions checklist.	
Useful Links:	<a href="#">Code of practice 14: Maintaining contributions</a> <a href="#">Checklist: Managing contributions</a>	

### Question 7 - Have you reviewed your processes for issuing annual benefit statements to ensure they are fit for purpose?

Your Answer:	Yes	Green
Feedback:	<p>You should proactively address issues that arose in the previous year and ensure remedial work is completed before the next cycle. You should also consider reporting on the lessons learnt, for example to the pension board, employers or members.</p> <p>Some best practice examples to consider for future reviews are included in our guide to issuing annual benefit statements.</p>	
Useful Links:	<a href="#">Quick guide to issuing annual benefit statements</a>	

### Question 8 - Have you taken steps to ensure that member communications are clear, accurate and easily accessible?

Your Answer:	Yes	Green
Feedback:	<p>You should regularly review your member communications to ensure members are able to engage with their pension savings. You can find out about members' information needs and their views on your communications in a number of ways - by speaking to employee representatives on the pension boards, listening in on calls to the administrator, undertaking member surveys or even organising focus groups.</p>	

## Action plan

### Using this action plan

You can use this section to set out the actions you are planning to take to address any risks identified in your results report, or actions you will take to help you achieve best practice.

You should review progress against this plan regularly. To help you do so, you can put in a review date against each action.

## Action plan - Governing your scheme

### Question 1 - Have you clearly defined and recorded the roles and responsibilities of the pension board?

Your Answer:	Yes	
Scheme Action Plan:	The Terms of Reference for the Essex Pension Fund Advisory Board (PAB) including roles and responsibilities has been reviewed and approved by ECC Full Council on 8 October 2019 and subsequently published within the ECC Constitution.	
Review Date:	Oct-20	

### Question 2 - Have you published information about the pension board and ensured it is kept up to date?

Your Answer:	Yes – we publish information to legal requirements and provide additional information about the pension board and board business	
Scheme Action Plan:	The last Governance Compliance Statement was published within the Fund's 2018/19 Annual Report and Accounts. The revised Governance Policy and Compliance Statement is due to be approved by the Essex Pension Fund Strategy Board (PSB) on 4 March 2020.	
Review Date:	Mar-21	

**Question 3 - Do you have policies and arrangements in place to help pension board members acquire and retain the requisite knowledge and understanding?**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have a LGPS Knowledge and Skills Training Strategy and monitor Members training against the strategy and plan using a training log. In addition to this, Members are encouraged to attend various conferences and seminars throughout the year.	
Review Date:	Mar-20	

**Question 4 - Do you use the following for your pension board?**

**a) Training Plans**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have a LGPS Knowledge and Skills Training Strategy and monitor Members training against the strategy and plan using a training log. In addition to this, Members are encouraged to attend various conferences and seminars throughout the year.	
Review Date:	Mar-20	

**b) Individual training needs analysis**

Your Answer:	No	
Scheme Action Plan:	The current strategy is in the process of being reviewed by Fund Officers in consultation with the Independent Governance & Administration Advisor (IGAA) and will look to include individual training needs analysis of each Member of the Boards/Committee.	
Review Date:	Mar-20	

**c) Training log**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have a LGPS Knowledge and Skills Training Strategy and monitor Members training against the strategy and plan using a training log. In addition to this, Members are encouraged to attend various conferences and seminars throughout the year.	
Review Date:	Mar-20	

Question 5 - Do you have a conflicts policy and procedure for pension board members?		
Your Answer:	In development	
Scheme Action Plan:	The Fund have developed a Conflicts of Interest Policy in consultation with the IGAA and is due to be approved by the PSB on 4 March 2020.	
Review Date:	Mar-21	

Do you have a register of interests (or equivalent)?		
Your Answer:	Yes	
Scheme Action Plan:	This is maintained by the Fund's Compliance Team and is updated after each PSB, ISC and PAB meeting.	
Review Date:	Ongoing	

## Action plan - Managing risks and issues

Question 1 - Do you have procedures in place for assessing and managing risk?		
Your Answer:	Yes	
Scheme Action Plan:	The Fund have a Risk Register which is maintained and updated as a continuous process. EPF Officers liaise with the Compliance Team to highlight any new risks as and when required. Risk are continually monitored and assessed by the Management Team but formally on a monthly basis at their MT Meeting.	
Review Date:	Ongoing	

Question 2 - Do you have a risk register?		
Your Answer:	Yes	
Scheme Action Plan:	The Fund have a Risk Register which is maintained and updated as a continuous process. EPF Officers liaise with the Compliance Team to highlight any new risks as and when required. Risk are continually monitored and assessed by the Management Team but formally on a monthly basis at their MT Meeting.	
Review Date:	Ongoing	

Question 3 - Where you have outsourced services, do you ensure that providers demonstrate that they have internal controls in place?		
Your Answer:	Yes	
Scheme Action Plan:	Fund Officers liaise with all 3rd party suppliers to ensure their mitigation actions are captured within the Fund's Risk Register.	
Review Date:	Ongoing	

**Question 4 - Do you have a service level agreement, or equivalent, in place with your scheme administrators, whether in house or outsourced?**

Your Answer:	Yes	
Scheme Action Plan:	A contract with CIVICA is monitored by the Systems Manager and Compliance Manager to ensure compliance against KPIs and the required Service Levels.	
Review Date:	Ongoing	

**Question 5 - Are your internal dispute resolution arrangements clearly communicated to members and others?**

Your Answer:	Yes	
Scheme Action Plan:	This is published on the Fund's Website and on all Retirement Letters.	
Review Date:	Ongoing	

**Question 6 - Do you have procedures in place to identify, assess and report breaches of the law?**

Your Answer:	Yes	
Scheme Action Plan:	Currently the Fund utilise the policy and process owned by the Administering Authority and therefore the Fund does not have its own Policy in place in relation to this. This is in the process of being reviewed by the Fund's Officers in consultation with the IGAA.	
Review Date:	Mar-20	

## Action plan - Administration

### Question 1 - Do you have a process in place to ensure that information is provided to TPR as required (eg through the scheme return)?

Your Answer:	Yes	
Scheme Action Plan:	The Technical Hub Manager and Compliance Manager ensure all TPR returns are completed by the deadlines provided.	
Review Date:	Ongoing	

### Question 2 - Do you have processes in place to monitor scheme records for all membership types on an ongoing basis and ensure they are accurate and complete?

Your Answer:	Yes	
Scheme Action Plan:	Regular monitoring is conducted by the Systems Team and any issues identified are communicated to the Management Team for action.	
Review Date:	Ongoing	

### Question 3 - Do you have controls in place to ensure that your employer(s) provides timely, accurate and complete data?

Your Answer:	Yes	
Scheme Action Plan:	The Employer Team, Systems Team and Technical Hub Team ensure communications with Employers is utilised to the full. The Administration Strategy is the key document for communication between the Fund and its Employers detailing what is required and when.	
Review Date:	Ongoing	

**Question 4 - When did you last carry out a data review exercise?**

Your Answer:	Within the last year	
Scheme Action Plan:	The Systems Team carry out regular reviews on the data held within UPM (Pension Administration Software provided by CIVICA).	
Review Date:	Ongoing	

**Question 5 - Where you have identified poor quality or missing data, do you have an improvement plan to address issues?**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have an annual data cleansing exercise that is carried out at year end. In addition to this, the Fund have been maintaining a data improvement plan since October 2018 to ensure 'Common Data' is clean to a 95% target. TPR have recently issued templates to enable Fund's to develop their scheme specific data reporting. The Fund are currently building these reports into	
Review Date:	Ongoing	

**Question 6 - Do you have processes in place for monitoring scheme contributions, resolving issues and assessing whether to report payment failures to TPR?**

Your Answer:	Yes	
Scheme Action Plan:	This is managed through the Employer Team, Systems Team and Technical Hub Team through the Administration Strategy.	
Review Date:	Ongoing	

**Question 7 - Have you reviewed your processes for issuing annual benefit statements to ensure they are fit for purpose?**

Your Answer:	Yes	
Scheme Action Plan:	This is reviewed annually to capture lessons learnt from the issuing of ABS.	
Review Date:	Annually	

**Question 8 - Have you taken steps to ensure that member communications are clear, accurate and easily accessible?**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have a communcaitions policy which is published on the Fund's website. However, a review has just been undertaken and a revised Communication Policy will be approved by the PSB on 4 March 2020.	
Review Date:	Mar-21	

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 11</b>
<b>Date: 04 March 2020</b>	

## **Schedule of Future Meetings and Events**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 0333 0321 763

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

- 1.1 To provide the Board with an update on the schedule of future meetings and events incorporating the process of approval by the Foreign Travel Committee.

### **2. Recommendation**

- 2.1 That the Board:
- advise Fund Officers which events they would like to attend; and to
  - note the content of the report.

### 3. Background

- 3.1 The Board were made aware, at their meeting on 18 December 2019, that future meetings and events would be brought to each meeting to ensure the process of approval by the Foreign Travel Committee for attendance at any conferences/seminars is incorporated within the Committee's timetable.

### 4. Upcoming Event(s)

- 4.1 The next events to take place are:

Date	Title	Venue	Action
Monday 18 – Wednesday 20 May	PLSA Local Authority Conference	Gloucestershire	To notify <a href="mailto:Amanda.crawford@essex.gov.uk">Amanda.crawford@essex.gov.uk</a> by COP Friday 24 April if any Member wishes to attend

### 5. Schedule of Meetings

- 5.1 The meeting dates/times for the Board to note are:

Pension Strategy Board	
Wednesday 17 June 2020	10am – 1pm
Wednesday 23 September 2020	10am – 1pm
Wednesday 16 December 2020	10am – 1pm
Wednesday 17 March 2021	10am – 1pm

Investment Steering Committee	
Wednesday 25 March 2020	1pm – 4pm
Tuesday 21 July 2020	11am – 5pm
Wednesday 21 October 2020	10am – 1pm
Wednesday 20 January 2021	10am – 4pm
Wednesday 24 March 2021	10am – 1pm

**6. Finance and Resources Implications**

- 6.1 The three-day event listed at 4.1 may incur costs (over £500 per person or more than £1,000 in total) that may require approval from the Foreign Travel Committee. This is dependent on the number of Members wishing to attend.

**7. Background Papers**

- 7.1 Schedule of Future Meetings and Events, PSB 11, 18 December 2019.

