

Essex Pension Fund Strategy Board	PSB 05
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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.