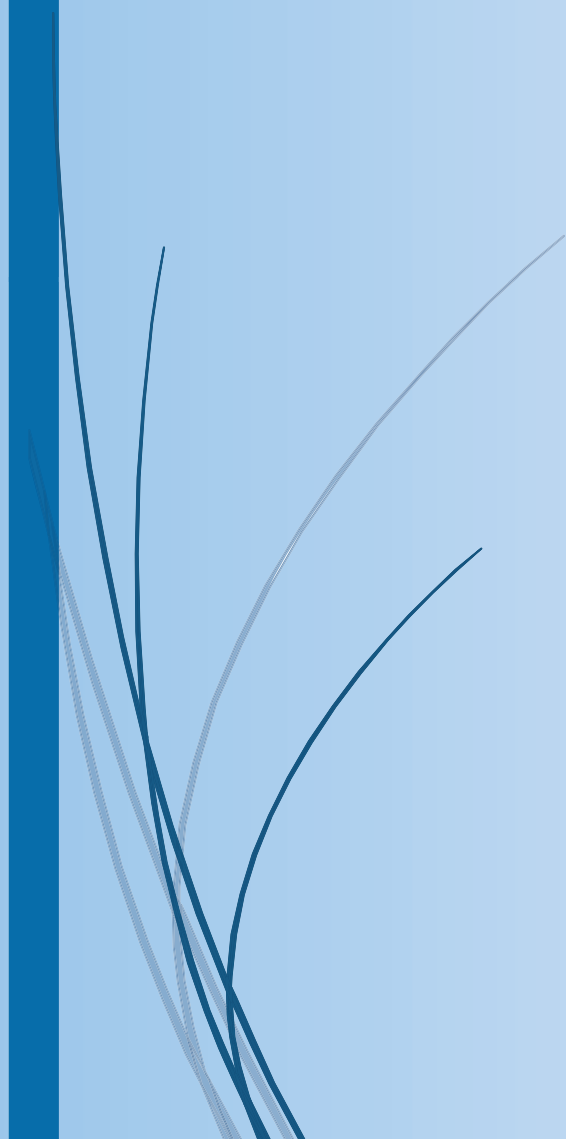


Business Plan 2020/21 to 2022/23

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

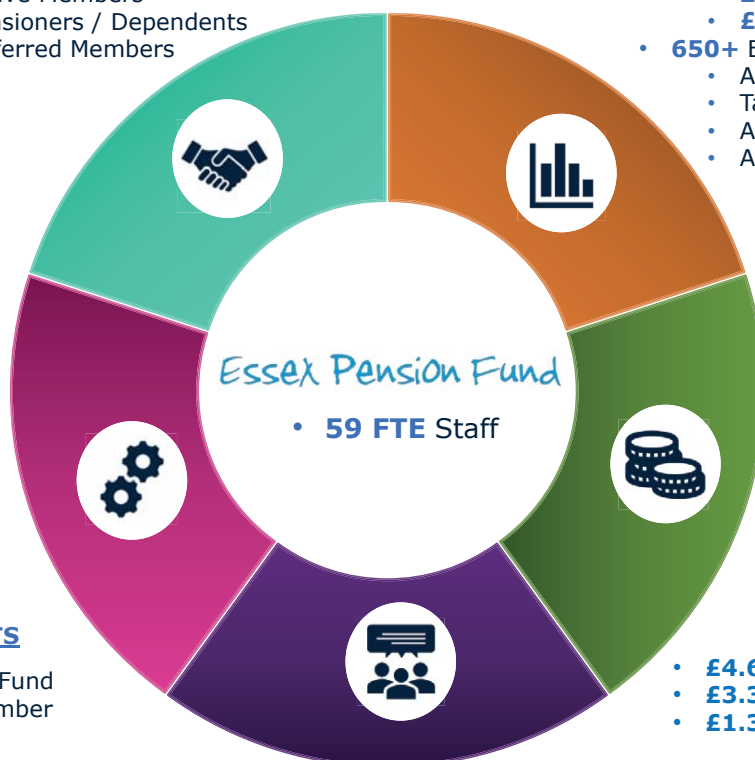
FINANCIAL

- **£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

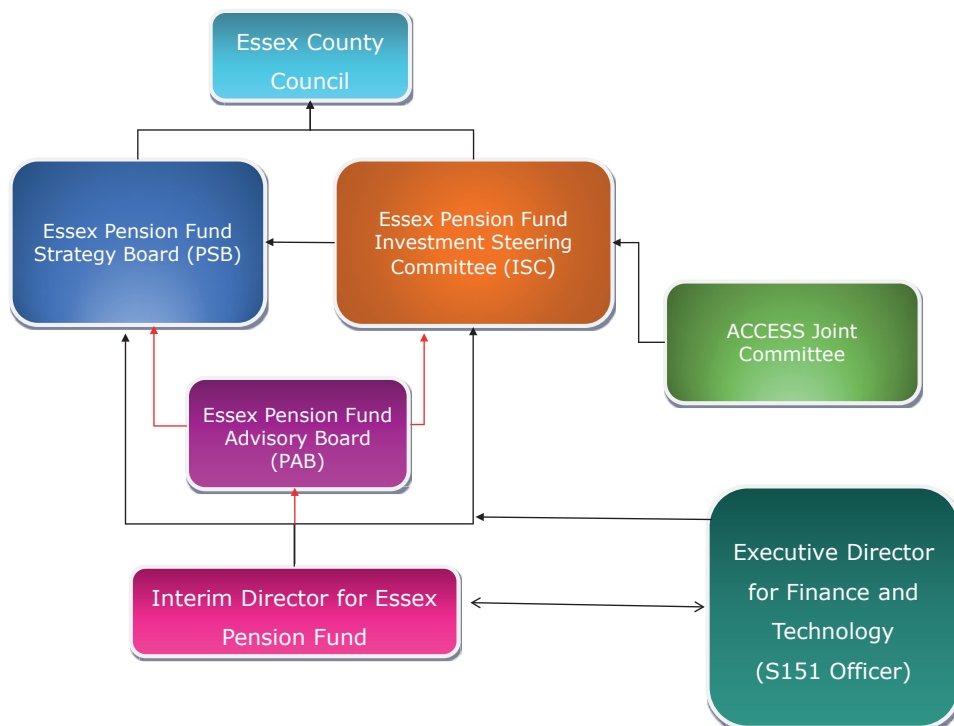
To be confirmed

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.

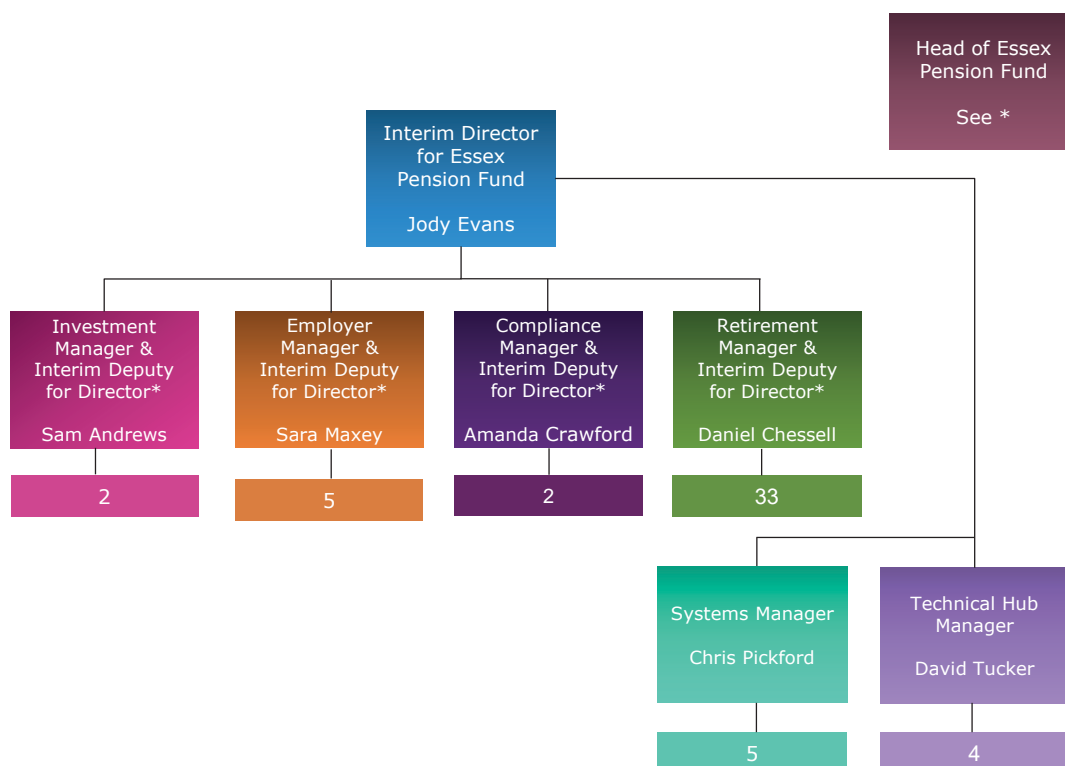
Governance of the Fund

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:

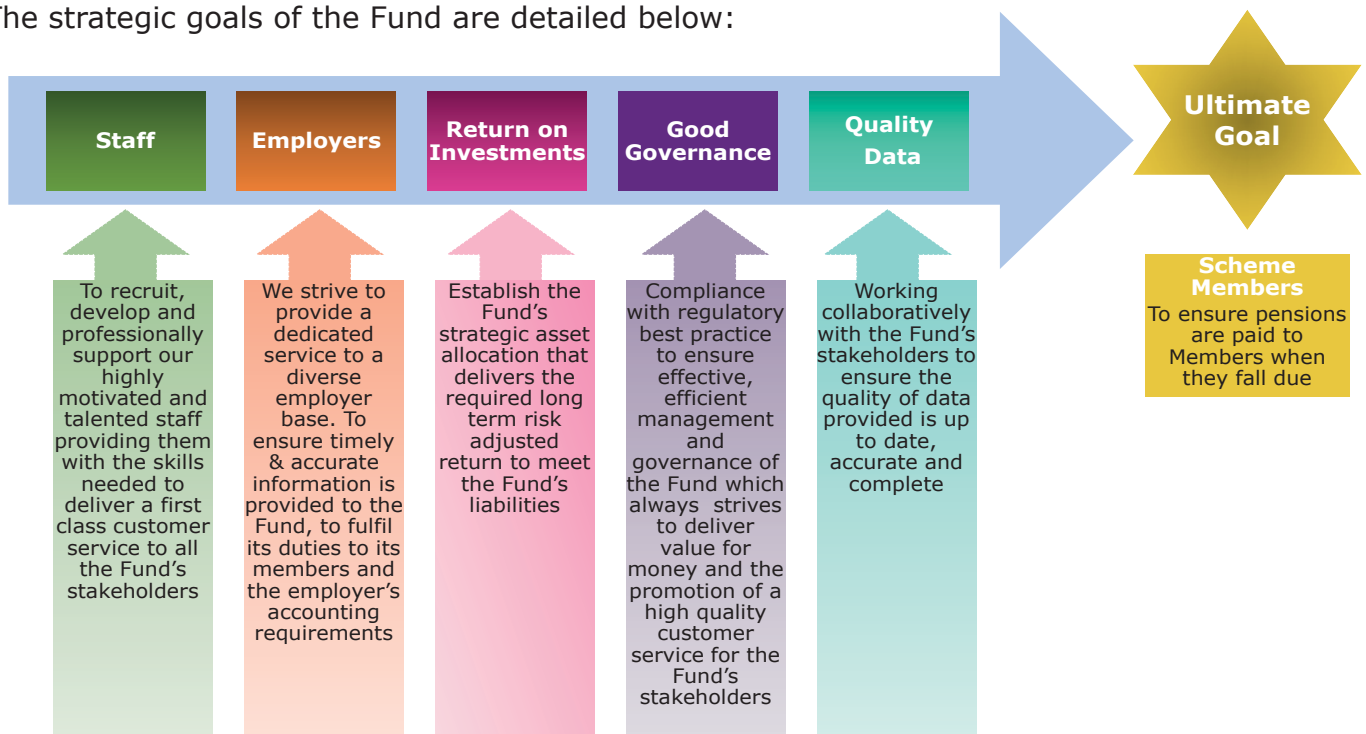


*These posts are currently covering the vacant role of the Head of Pension Fund.

**Numbers represent full time equivalent staff.

Strategic Goals of the Fund

The strategic goals of the Fund are detailed below:



The Fund's Priorities

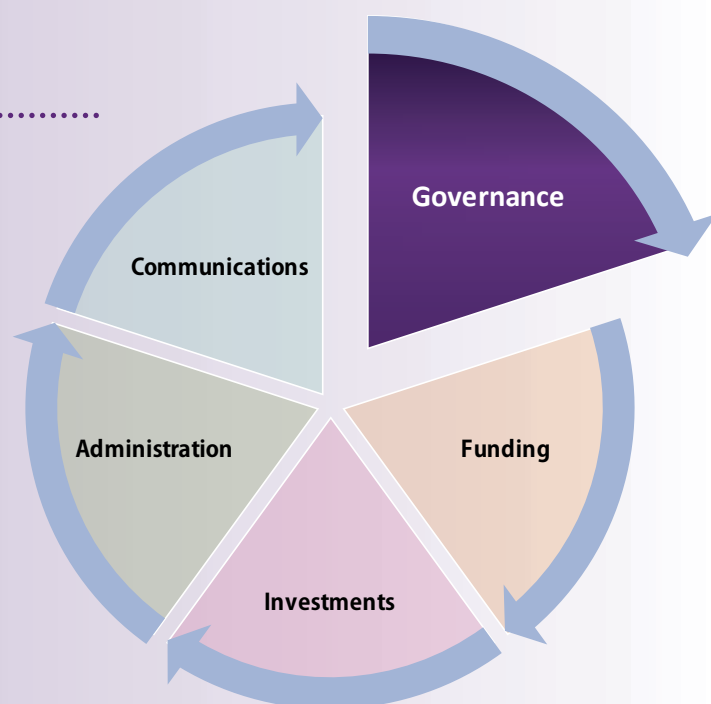
The Fund's priorities for the three years 2020/21 to 2022/23 are linked to the five key areas of business: Governance; Funding; Investments; Administration; and Communications. The following sections outline: the Fund's objectives; area of activity, including strategic Business as Usual (BAU); financial; 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"> • Training needs analysis • Review the revised training strategy 	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
Total	4.70

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

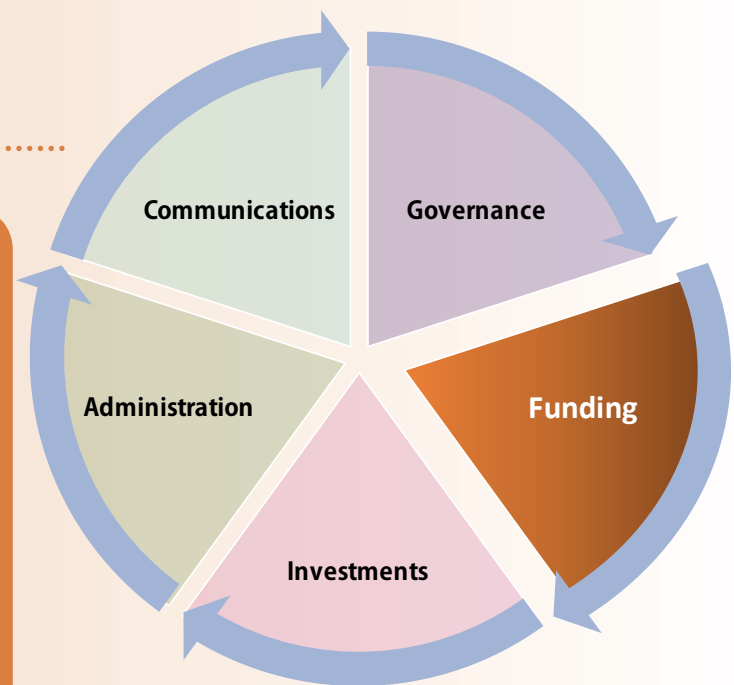
On the Horizon

- 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
Total	6.00

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

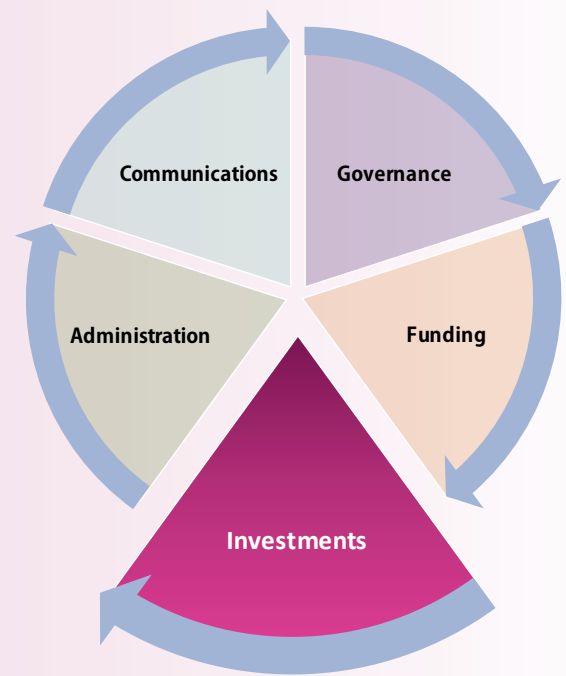
On the Horizon

- 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
Total	3.00

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

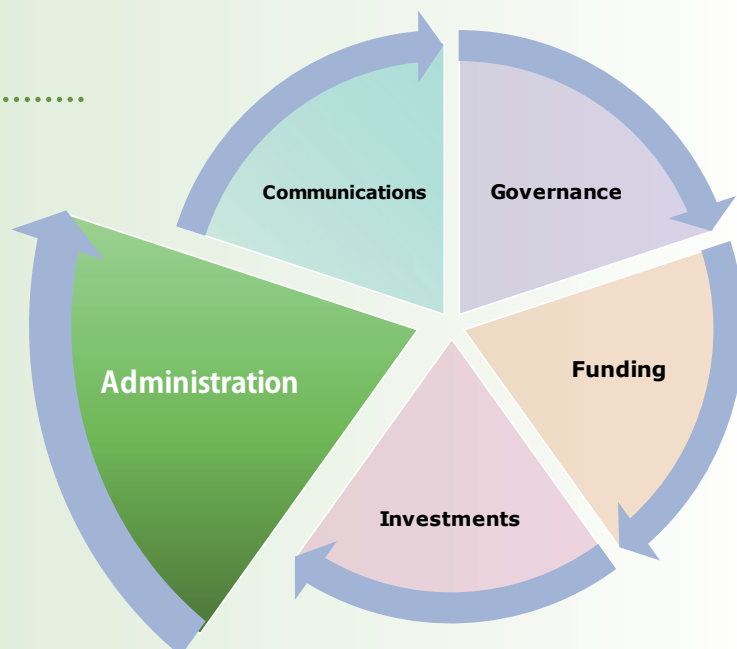
On the Horizon

- 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		
Total		43.50		

* 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

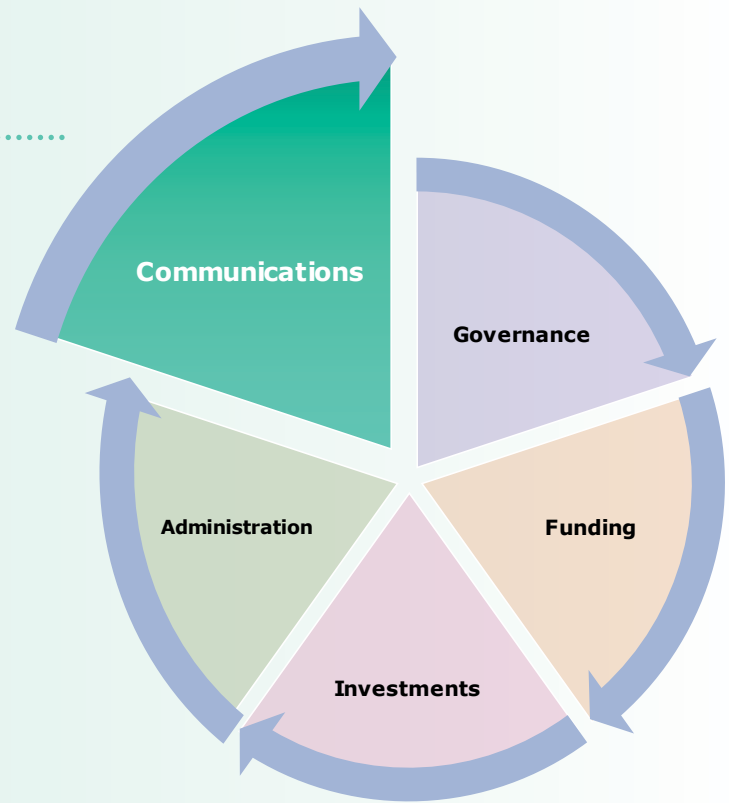
On the Horizon

- 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*	External Third Party Support	
Interim Director for Essex Pension Fund		0.10	Independent Governance Administration Adviser	
Head of Essex Pension Fund		-	Barnett Waddingham LLP - Fund Actuary	
Investment Team		0.10	Hymans Robertson - Institutional Investment Consultant	
Funding/Employer Team		0.20		
Governance Team		-		
Administration Team		0.25		
Technical Team		1.00		
Systems Team		0.15		
Total		1.80		

* 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.

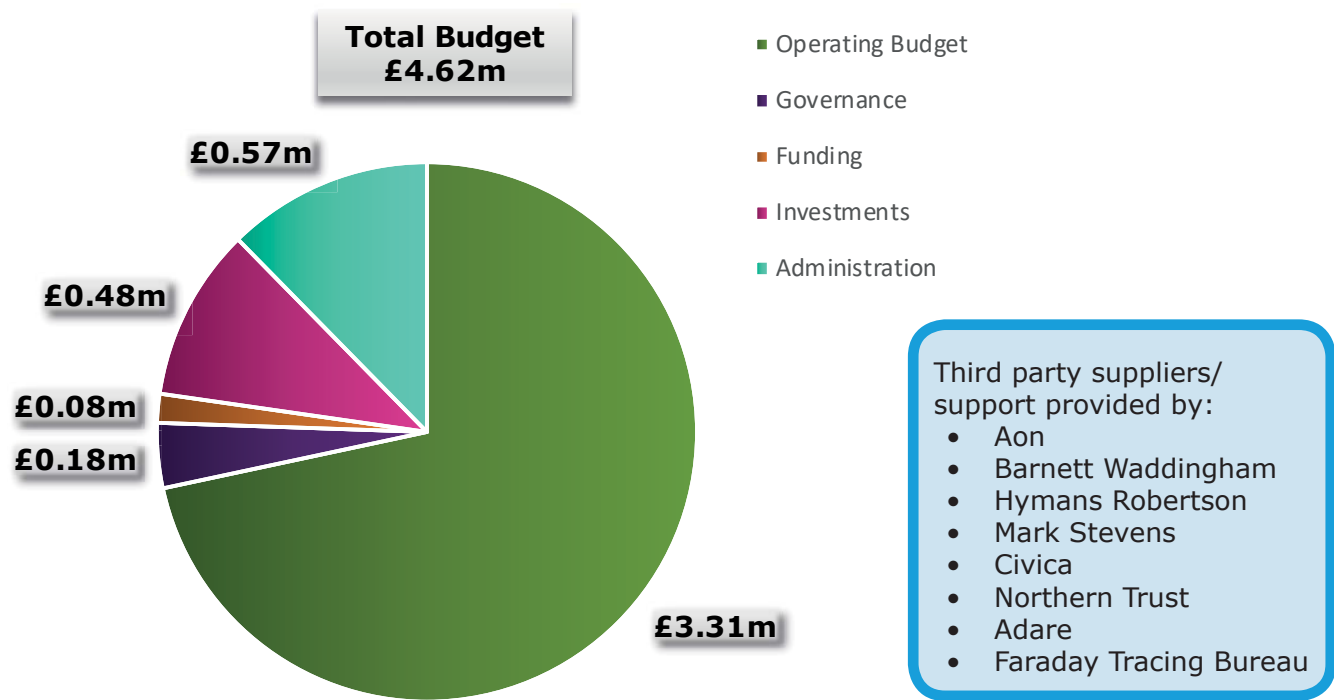
On the Horizon

- 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

- | | |
|--------------------------------------------|---------------------------------|
| • 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
Email: Compliance.team@essex.gov.uk

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