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Business Plan

2021/22 to 2023/24

March 2021

Essex Pension Fund

Business Plan

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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 87 Funds making up the Local Government Pension Scheme (LGPS) in England and Wales.

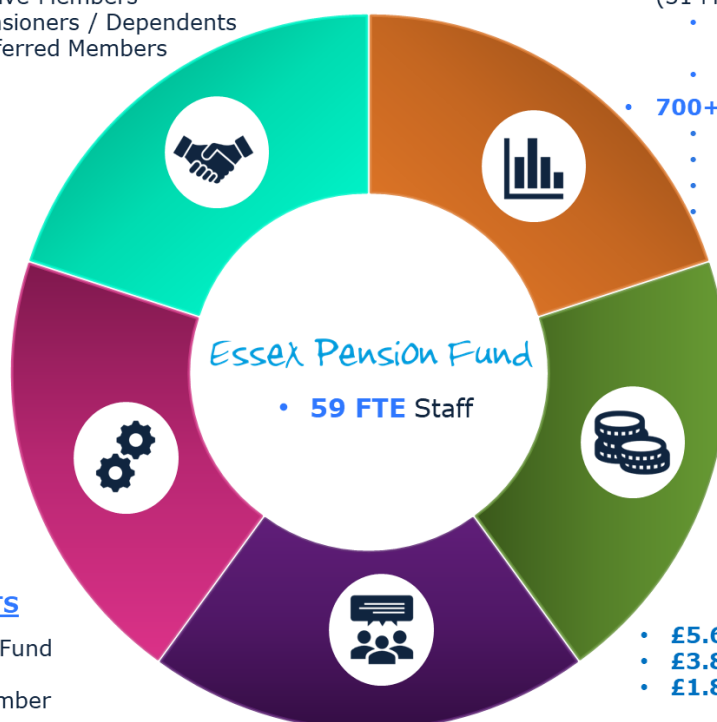
The Fund is managed and administered by Essex County Council. Essex County Council are responsible for maintaining and managing the Fund on behalf of its Stakeholders; the Scheme Members and Employers participating in the Fund.

FUND MEMBERSHIP

- **172,037** Members (31 March 2020)
 - **57,498** Active Members
 - **44,682** Pensioners / Dependents
 - **69,857** Deferred Members

FUNDING/EMPLOYERS

- **96.2%** Interim Funding Level (31 March 2020)
 - **£6.90bn** Assets (based on a smoothed 6-month average)
 - **£7.17bn** Liabilities
- **700+** Employers, including:
 - Administering Authority (ECC)
 - Tax Raising Bodies
 - Admission Bodies
 - Academies



INVESTMENTS

- **c£6.6bn** Value of Fund (31 March 2020)
- **ACCESS Pool** member

FINANCIAL

- **£5.65M** Total Budget
- **£3.83M** Operational Budget
- **£1.82M** 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

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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 (Labour Substitute)
Cllr. M. Durham (Conservative 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

R. Hadley (Chelmer Housing Partnership)

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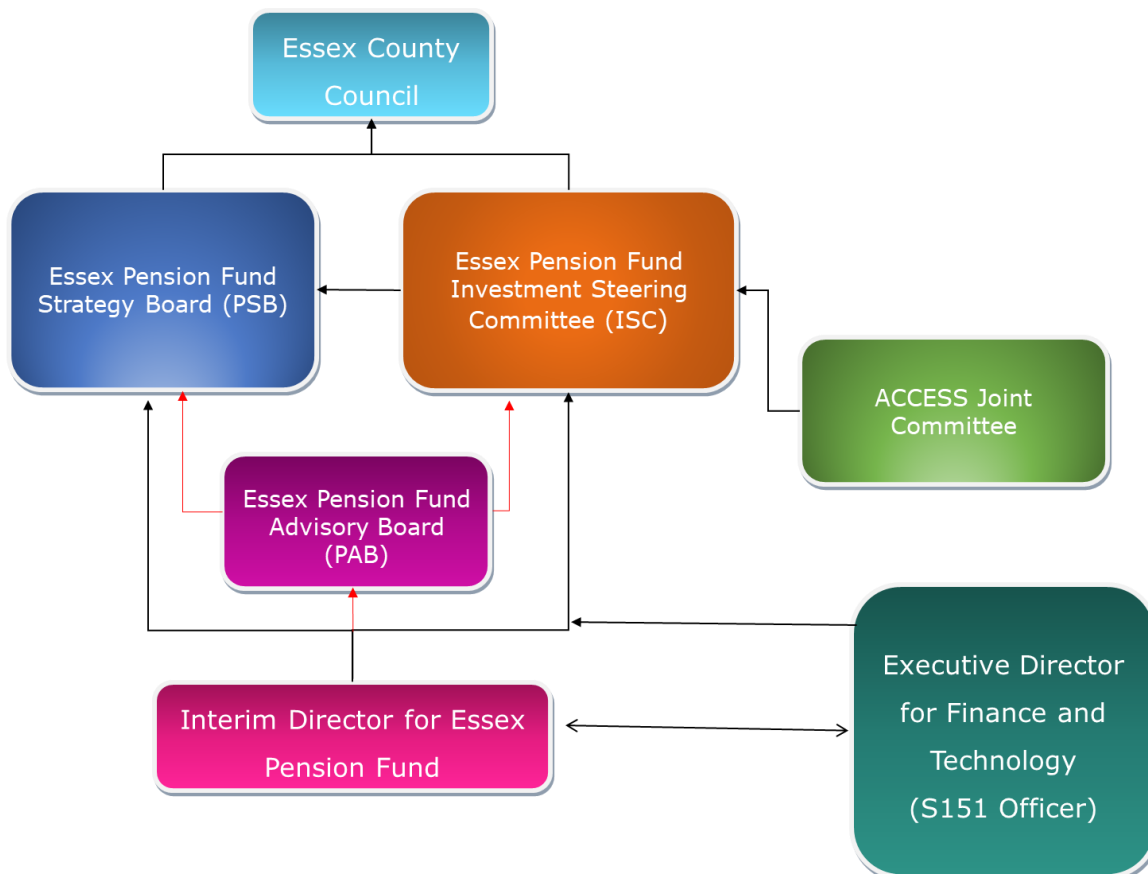
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ACCESS Pool

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:

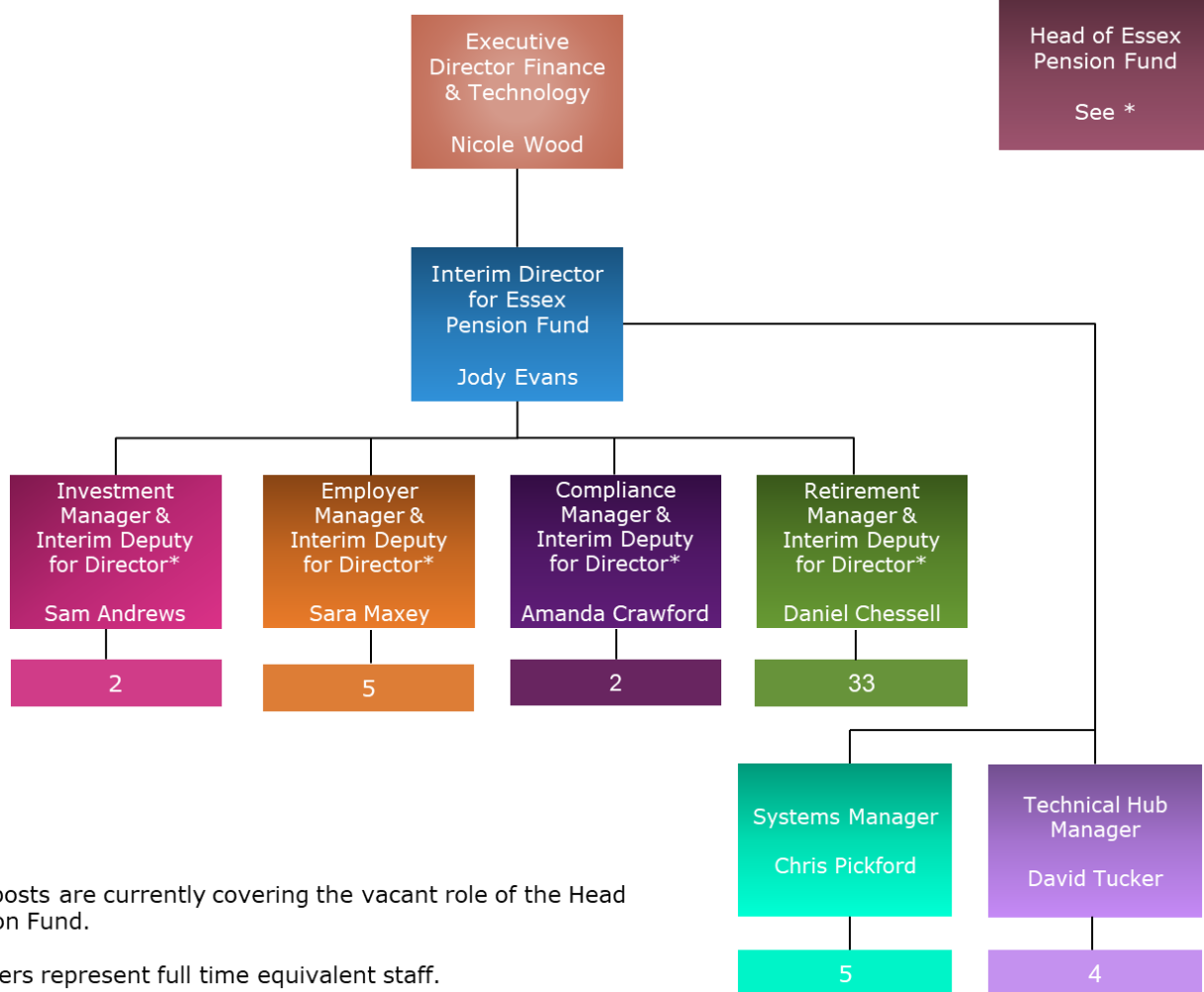


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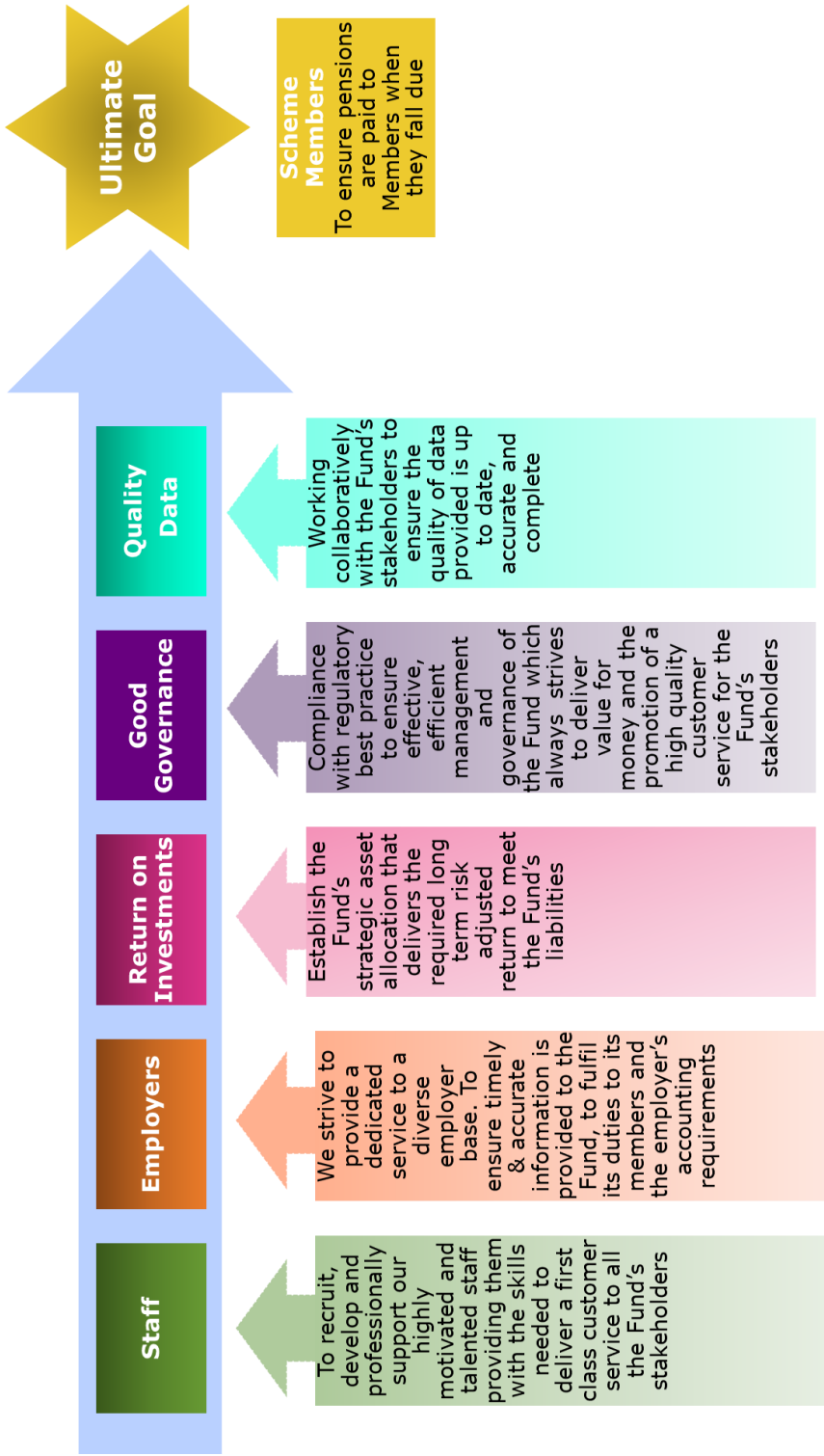
Staffing Structure of the Fund

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



Strategic Goals of the Fund

The strategic goals of the Fund are detailed below:



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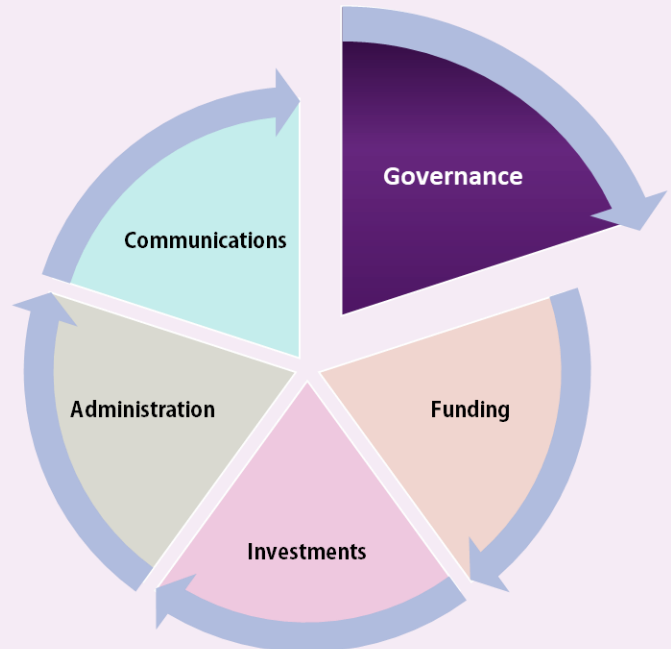
The Fund's Priorities

The Fund's priorities for the three years 2021/22 to 2023/24 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.



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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.

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Area of Activity including strategic BAU	2021/22	2022/23	2023/24
Policies and Publications			
Business Plan & Budget	Annual	Annual	Annual
Risk Management Strategy	-	-	Review
Governance Policy and Compliance Statement	-	-	Review
Terms of Reference for PSB/ISC/PAB	Annual	Annual	Annual
Policy for the Recording and Reporting Breaches of the law	-	-	Review
Conflict of Interest Policy	-	Review	-
Members' knowledge and understanding - Knowledge and Skills Strategy	Implement	-	Review
Members' knowledge and understanding - Training Plan and Training Needs Analysis	Implement	-	Review
Business Continuity Policy	Implement	-	-
Business Continuity Plan (including Cyber security) and Testing	Ongoing	Ongoing	Ongoing
Annual Statement of Accounts including compliance with CIPFA requirements	Annual	Annual	Annual
Stakeholder Strategy	Develop	Implement	Review
Reviews			
Fund's Strategic Objectives	-	Review	-
Governance Review and Effectiveness Survey	Implement	Review	-
LGPS Reform	Ongoing	Ongoing	Ongoing
AVC Review	Commence	Implement (if required)	-
Procurements			
Independent Governance & Administration Adviser (IGAA) Review	Review	-	Review

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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

* These are estimated figures and are subject to change.

Support from Third Party Suppliers

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

Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £180k.

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Training

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

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Relevant TPR Toolkit Modules	-	Biennial	-
Relevant CIPFA Modules	-	Biennial	-
PLSA LA Conference	Annual	Annual	Annual
LGPS Governance Conference	Annual	Annual	Annual
Attendance at CIPFA training days for Board Members	As required	As required	As required
Any other Governance training as necessary	As required	As required	As required

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). However, it is expected to include a requirement to publish an Annual Governance Compliance Statement.
- The Pensions Regulator (TPR)
 - ◇ TPR expect Fund's to comply with the guidance set out in its Codes of Practice. Through continuous assessment, the Fund ensures adherence to the Code(s) which drives continuous monitoring and improvement. TPR is radically reviewing its Codes, amalgamating them into a new Single Modular Code expected during 2021, which will require a fundamental review of the Fund's compliance.

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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 position in the timescales 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 ensure benefits can be met as and when they fall due over the lifetime of the Fund; and
- 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.

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Area of Activity including strategic BAU	2021/22	2022/23	2023/24
Policies and Publications			
Funding Strategy Statement (including Flexibilities Policies)	As required	Triennial	As required
Reviews			
Actuarial Valuation (including review of assumptions)	-	Triennial	Implement
Interim Funding review	Annual	-	Annual
Employing Authority discretions and delegations	As required	As required	As required
Employer Risk Review	As required	Triennial	As required
Longevity Analysis of Fund	-	Triennial	-
McCloud Preparation/Implementation	Implement*	Ongoing	Ongoing
Employer Training Webinars	Implement	-	-
Procurements			
Actuarial Contract review	-	-	Review

*Pending Regulatory Change

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

*These are estimated figures and are subject to change.

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Support from Third Party Suppliers

External Third Party Support

Barnett Waddingham LLP - Fund Actuary

To be confirmed - Institutional Investment Consultant (IIC)

Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £150k.

Training

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

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Actuarial Valuation training	-	Triennial	-
Funding Strategy Statement training	-	Triennial	-
Interim Valuation training	Annual	-	Annual
Any other Employer/Funding training as necessary	As required	As required	As required
Employer Forum/Webinar	As required	As required	As required

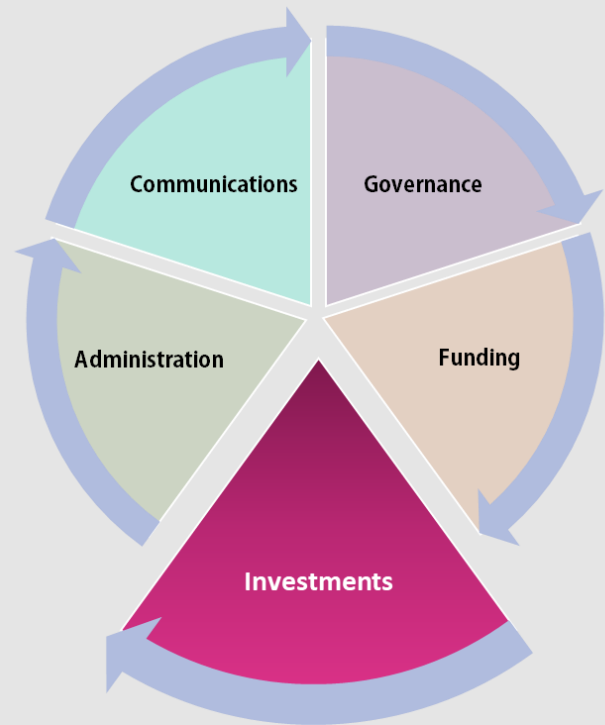
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On the Horizon

- McCloud / Goodwin
 - ◇ Due to the court cases and resulting scheme changes, 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 the outcome of the McCloud case, providing understanding and training to Employers and Committee/Board members on the impact.
- Employer Flexibilities Policies
 - ◇ New Flexibilities have been introduced to the Regulations allowing for: revisions to Scheme Employer contributions between Valuations; spreading of exit payments; and deferred debt agreements.
 - ◇ The Fund will prepare Employer Flexibilities Policies following the issue of Statutory Guidance.

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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.

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Area of Activity including Strategic BAU	2021/2022	2022/23	2023/24
Policies and Publications			
Investment Strategy Statement review including Responsible Investment (RI) Policy	-	-	Triennial
Investment Managers Engagement Strategy	Develop/Implement	-	-
Reviews			
Treasury Management Strategy	Annual	Annual	Annual
Strategic Asset Allocation	Biannual	Biannual	Biannual
Asset/Liability Study	-	-	Triennial
ACCESS collaboration	Ongoing	Ongoing	Ongoing
Individual Manager review (on an exceptional basis)	Quarterly	Quarterly	Quarterly
CEM Benchmarking/Cost Transparency	Annual	Annual	Annual
Signatory of the Financial Reporting Council (FRC) UK 2020 Stewardship Code	Develop / Implement	Annual	Annual
Annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy	Commence	Implement	Review
Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures (TCFD))	Develop	Implement	-
Procurements			
Institutional Investment Consultant procurement	Implement	-	-
Institutional Investment Consultant – CMA review	Annual	Annual	Annual
Independent Investment Adviser review	-	-	Review
Global Custody procurement	Implement	-	-
External RI Adviser Exploration	Commence	-	-

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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

*These are estimated figures and are subject to change.

Support from Third Party Suppliers

External Third Party Support

To be confirmed - Institutional Investment Consultant (IIC)
Mark Stevens - Independent Investment Adviser (IIA)
Northern Trust - The Fund's Global Custodian*
Barnett Waddingham LLP - Fund Actuary

*Pending outcome of procurement during 2021

Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £810k*.

*includes participation within ACCESS

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Training

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

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Bitesize Training by Asset Class	Quarterly	Quarterly	Quarterly
Investment Strategy Statement Training	-	-	Triennial
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
Treasury Management (Cash Flow) Training	As required	As required	As required
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	As required	As required	As required

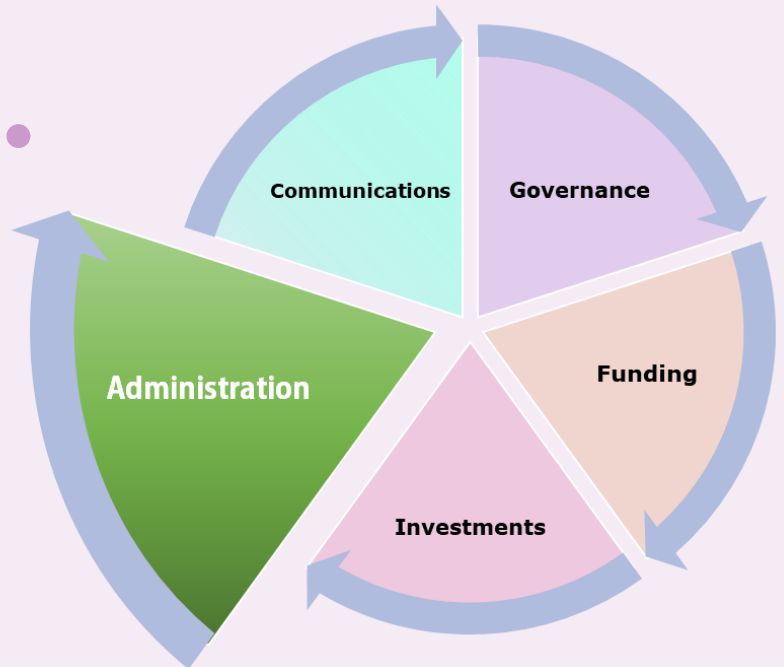
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On the Horizon

- 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.
 - ◇ MHCLG is expected to issue further Pooling Guidance during 2021/22 which may impact on the current arrangements.
- 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 Scheme Act
 - ◇ The Pension Schemes Act currently being introduced by the Government creates a legislative framework to support the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).
 - ◇ In line with the TCFD recommendations, private schemes with assets of £1bn or more will be required to prepare and publish a report disclosing how the scheme complies with the TCFD recommendations annually. MHCLG is expected to consult on the specific LGPS requirements that this will introduce.

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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.

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Area of Activity including Strategic BAU	2021/22	2022/23	2023/24
Policies and Publications			
Administration Strategy	Review*	-	-
Review			
LGPS Reform – Planning for Administration changes	Ongoing	Ongoing	Ongoing
Pensions Single payments**	Commence	Implement	-
Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online	Ongoing	Ongoing	Implement
Administering Authority Discretions	-	Review	-
McCloud Preparation/Implementation	Implement*	Ongoing	Ongoing
Monthly Returns Digital Transformation	Commence	Review	-
TPR Data Improvement Plan	Review	Ongoing	Ongoing

*Pending Regulatory Change

**Dependent on the new ECC Corporate Systems project being implemented

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	0.25
Investment Team	-
Funding/Employer Team	-
Governance Team	1.00
Administration Team	33.50
Technical Team	4.40
Systems Team	4.25
Total	43.50

*These are estimated figures and are subject to change.

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Support from Third Party Suppliers

External Third Party Support

Aon - Independent Governance Administration Adviser (IGAA)

Civica - Administration System

Adare - Printing

Faraday - Tracing Bureau

Barnett Waddingham LLP - Fund Actuary

Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £680k.

Training

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

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Road Shows / Surgeries	Ongoing	Ongoing	Ongoing
Annual Return Workshops	As required	As required	As required
Employer Online Workshops	As required	As required	As required
Any other administration / regulatory training as necessary	As required	As required	As required

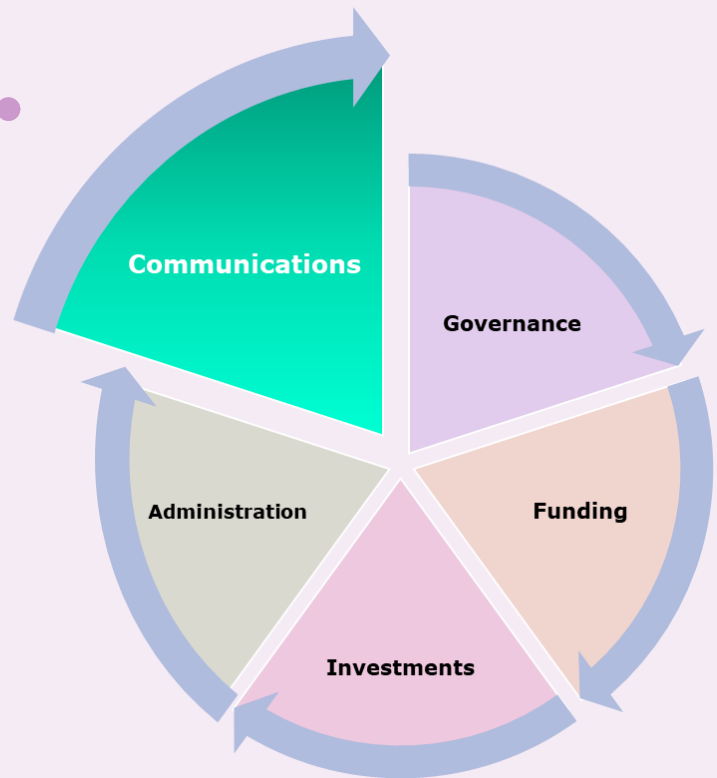
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On the Horizon

- 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 data held is up to date, accurate and complete.
- McCloud / Goodwin / Cost Cap
 - ◇ Due to the court cases and resulting scheme changes, benefits will need to be retrospectively recalculated for thousands of members, which will increase the volume of work for the Fund and will impact costs. It will also impact Employers in having to check and provide missing data. Also, the Cost Cap mechanism was paused because of McCloud but the Government has indicated it will re-run the Cost Cap mechanism once remedy for McCloud has been decided. This could mean further retrospective scheme changes, in addition to those required as a result of McCloud and Goodwin.
- Pensions Dashboard
 - ◇ The Pension Schemes Act currently being introduced by the Government creates a legislative framework to support the introduction of pension dashboards. Onboarding to dashboards is not expected to start until 2023 but schemes will need to make sure that their data is consistent with the required data standards.

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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.

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Area of Activity including Strategic BAU	2021/22	2022/23	2023/24
Policies and Publications			
Communications Policy	-	Review	-
Stakeholder Strategy	Develop	Implement	Review
Reviews			
LGPS Reform	Ongoing	Ongoing	Ongoing
Greater Digitalisation of the Fund including the exploration of Electronic Communications	Ongoing	Ongoing	Ongoing
McCloud Implications	Ongoing	Ongoing	Ongoing
Social Media Channel	Implement	-	-
Review of website*	Commence	Implement	Review
Annual Benefit Statements	Annual	Annual	Annual
Fund Surveys	-	Review	-

*Realignment of timetable due to Covid-19

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
Total	1.80

*These are estimated figures and are subject to change.

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Support from Third Party Suppliers

External Third Party Support

Aon - Independent Governance Administration Adviser (IGAA)
Barnett Waddingham LLP - Fund Actuary
To be confirmed - Institutional Investment Consultant (IIC)

Budget

To deliver the above activities in 2021/22, the budget allocated is included in Operational Budget.

Training

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

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Ad hoc Communications Training	Ongoing	Ongoing	Ongoing
Media training	As required	-	-

*Additional training relating to communications is covered under other areas.

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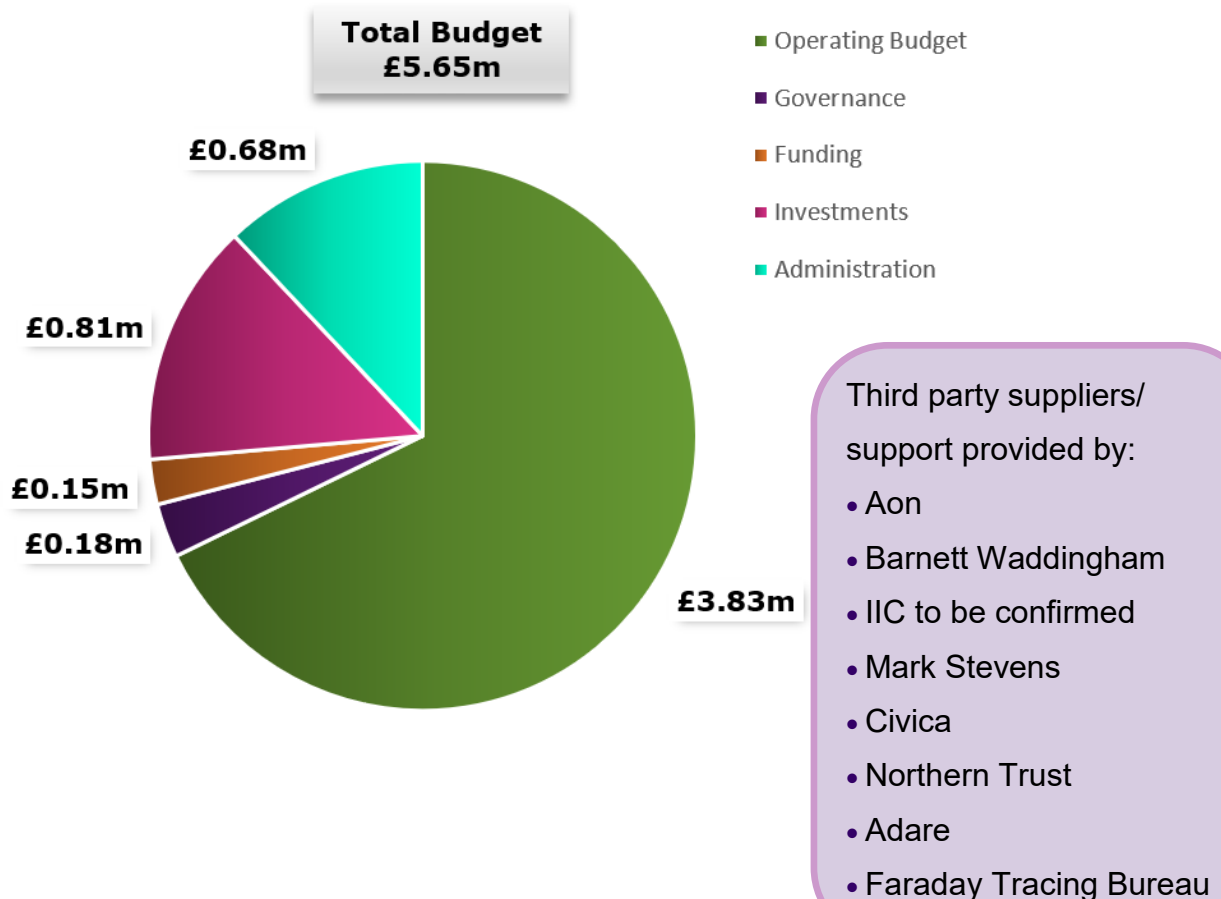
On the Horizon

- McCloud / Goodwin
 - ◇ Due to the court cases 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 Act currently being introduced by the Government creates a legislative framework to support the introduction of pension dashboards.
 - ◇ Onboarding to dashboards is not expected to start until 2023, and it will 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 2021/22 operational and third party supplier support budget is shown below:



*Investments excludes Investment Management Fees and associated expenses

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Key Policy Documents

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



www.essexpensionfund.co.uk

- Administration Strategy
- Annual Report & Accounts
- Business Continuity Policy
- Communications Policy
- Conflict of Interest Policy
- Funding Strategy Statement
- Governance Policy & Compliance Statement
- Investment Strategy Statement
- Knowledge and Skills Strategy
- Policy for Recording and Reporting Breaches of the law
- Risk Strategy

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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