

# Essex Pension Fund

## Update on Pension Fund Activity

### Agenda Item 03.A



#### Contents:

Section A: Business Plan Progress Update  
Section B: Budget vs Forecast Update  
Section C: Scorecard Update  
Section D: Risk Management

# Essex Pension Fund

## Section A

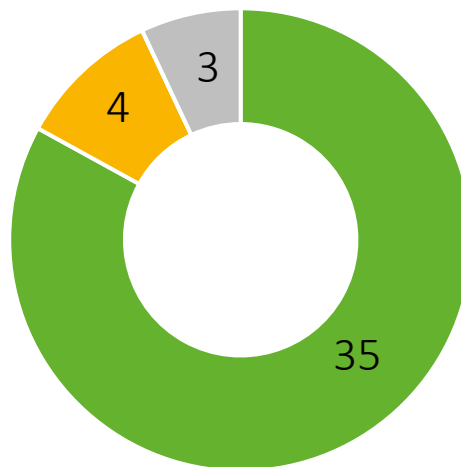
# 2020/21 Business Plan Progress Update

March 2021



# Strategic BAU & Key Priorities

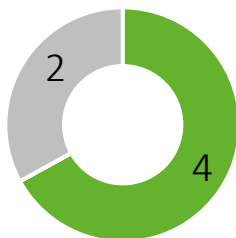
Essex Pension Fund



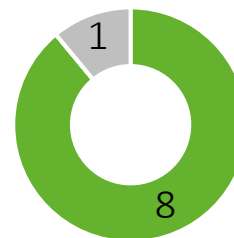
Of 42 Priorities

■ Completed ■ In Progress ■ Delayed ■ Not due to start ■ Not Applicable

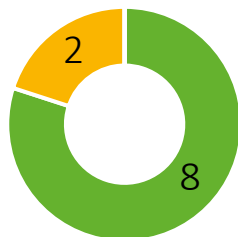
Funding



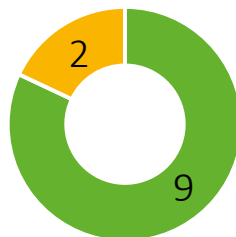
Administration



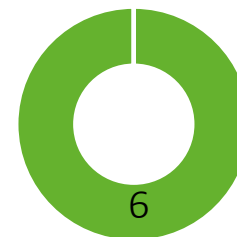
Governance



Investments



Communications



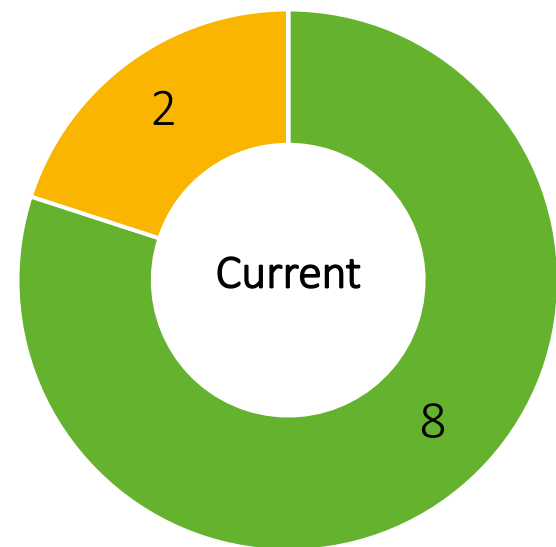
# 1. Progress - Governance

Strategic BAU & Key Priorities	P	C	CF
1. Agree 2021/22 Business Plan & Budget			Y
2. Development & Implementation of Risk Management Strategy			N
3. LGPS Reform			Y
4. Implementation of Members' knowledge and understanding • Training Needs Analysis • Review the revised Training Strategy (Knowledge & Skills)			Y
5. Development of Business Continuity Policy, Plan (including Cyber security) and Testing			Y
6. Commencement of Governance Review and Effectiveness Survey			Y
7. Annual Review of Governance related Policies including the Governance Policy and Compliance Statement			N
8. Annual Statement of Accounts including compliance with CIPFA requirements			Y
9. Annual review of Terms of Reference for PSB/ISC/PAB			Y
10. Development & Implementation of Breaches Policy			N
NEW: Independent Governance & Administration Adviser (IGAA) Review			
NEW: AVC Review			
NEW: Development of Stakeholder Strategy			

P – Previous  
C – Current  
CF – Carried Forward



Strategic BAU & Key Priorities



■ Completed  
■ Delayed  
■ Not Applicable  
■ In Progress  
■ Not due to start

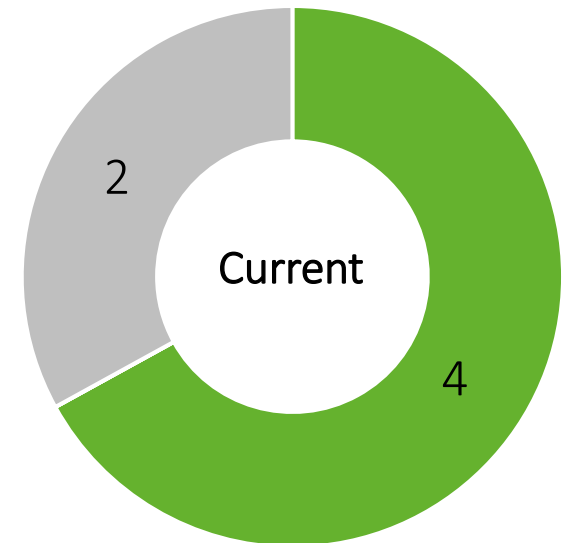
# 2. Progress - Funding

P – Previous  
C – Current  
CF – Carried Forward



Strategic BAU & Key Priorities	P	C	CF
1. Implementation of the outcome of the Actuarial Valuation in line with the Fund's Funding Strategy Statement			N
2. Annual Interim Funding review			Y
3. Funding Strategy Statement review			Y
4. Employing Authority discretions and delegations review			Y
5. Employer Risk review			Y
6. Undertake Interim review of the Fund's Actuary			N
NEW: McCloud Preparation/Implementation			
NEW: Implementation of Employer Training Webinars			

Strategic BAU & Key Priorities



■ Completed  
■ Delayed  
■ Not Applicable  
■ In Progress  
■ Not due to start

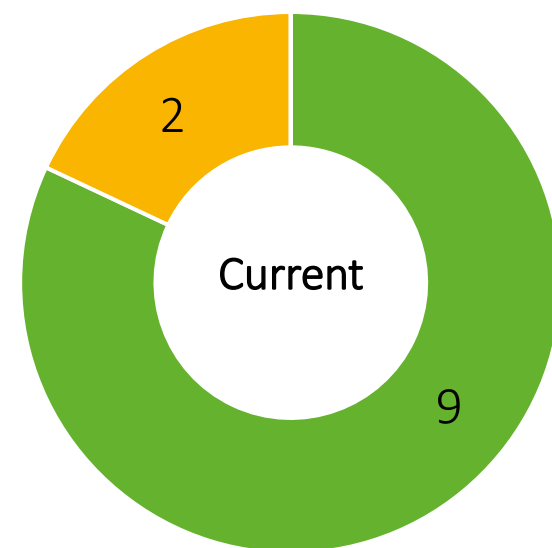
# 3. Progress - Investments

Strategic BAU & Key Priorities	P	C	CF
1. Strategic Asset Allocation review			Y
2. Commencement of Institutional Investment Consultant procurement			Y
3. Institutional Investment Consultant – CMA review			Y
4. Implementation of Independent Investment Adviser procurement			N
5. Commencement of Global Custody procurement			Y
6. Asset/Liability Study			N
7. Investment Strategy Statement review including Responsible Investment (RI) Policy			N
8. 2021/22 Treasury Management Strategy review			Y
9. ACCESS collaboration			Y
10. Individual Manager review			Y
11. Review of CEM Benchmarking / Cost Transparency			Y
NEW: Become signatory of the 2020 FRC UK Stewardship Code			
NEW: Investment Managers Engagement Strategy			
NEW: Annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy			
NEW: Climate Change Policy Objectives and Metrics			
NEW: External RI Adviser Exploration			

P – Previous  
C – Current  
CF – Carried Forward

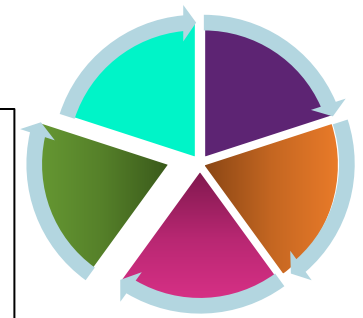


Strategic BAU & Key Priorities



■ Completed  
■ Delayed  
■ Not Applicable  
■ In Progress  
■ Not due to start

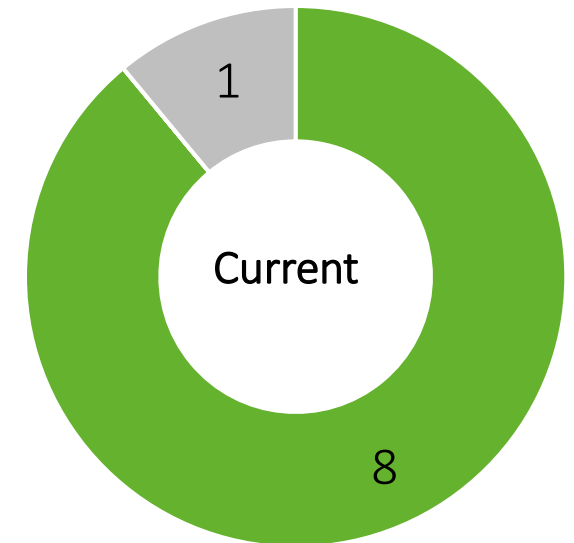
# 4. Progress - Administration



P – Previous  
C – Current  
CF – Carried Forward

Strategic BAU & Key Priorities	P	C	CF
1. LGPS Reform – Planning for Administration changes: <ul style="list-style-type: none"> <li>Unpausing of Cost Cap</li> <li>£95k Cap</li> <li>Goodwin</li> </ul>			Y
2. Review/Procure a Administration System Provider			N
3. Review and implementation of Pensions Single Payments provider			Y
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online			Y
5. McCloud Preparation / Implementation			Y
6. Development of Monthly Returns Digital Transformation			Y
7. Data Improvement Plan			Y
8. Participation in National Fraud Initiative			N
9. Monthly Bulk Leaver / Retire Online development/implementation			N
NEW: Review of Administration Strategy			
NEW: Monthly Returns Digital Transformation			

Strategic BAU & Key Priorities



■ Completed  
■ Delayed  
■ Not Applicable  
■ In Progress  
■ Not due to start

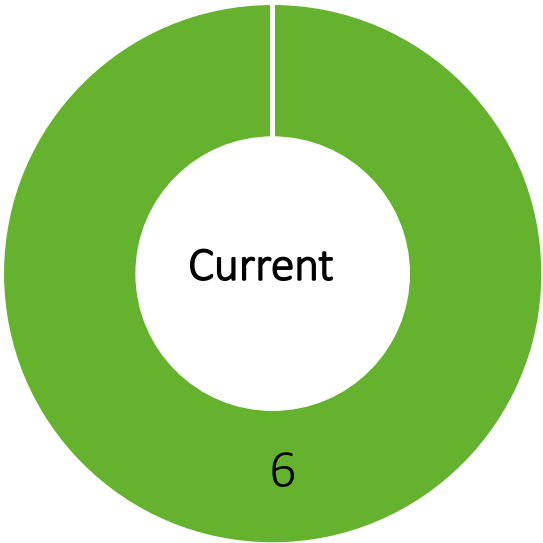
# 5. Progress - Communications

P – Previous  
C – Current  
CF – Carried Forward



Strategic BAU & Key Priorities	P	C	CF
1. LGPS Reform: <ul style="list-style-type: none"><li>Unpausing of Cost Cap</li><li>£95k Cap</li><li>Goodwin</li></ul>			Y
2. Greater Digitalisation of the Fund including the exploration of Electronic Communications therein			Y
3. McCloud Implications			Y
4. Social Media Channel Exploration			Y
5. Commencement of the Website review			Y
6. Annual Benefit Statements review and development			Y
NEW: Stakeholder Strategy			

Strategic BAU & Key Priorities

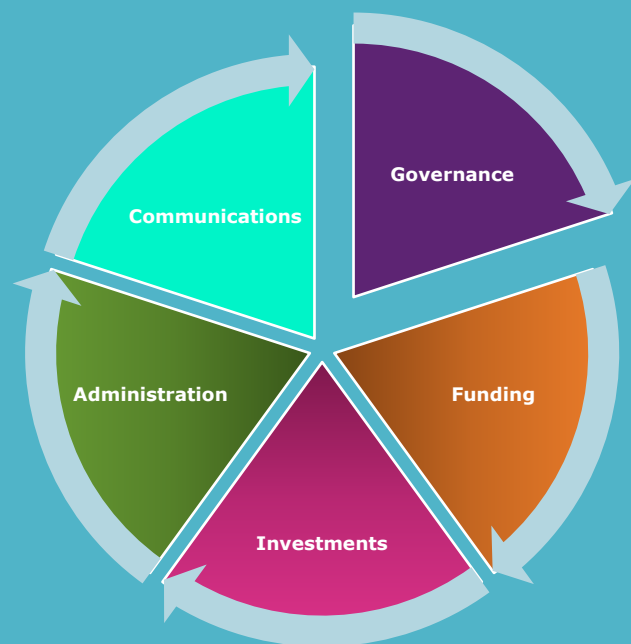


■ Completed  
■ In Progress  
■ Delayed  
■ Not due to start  
■ Not Applicable

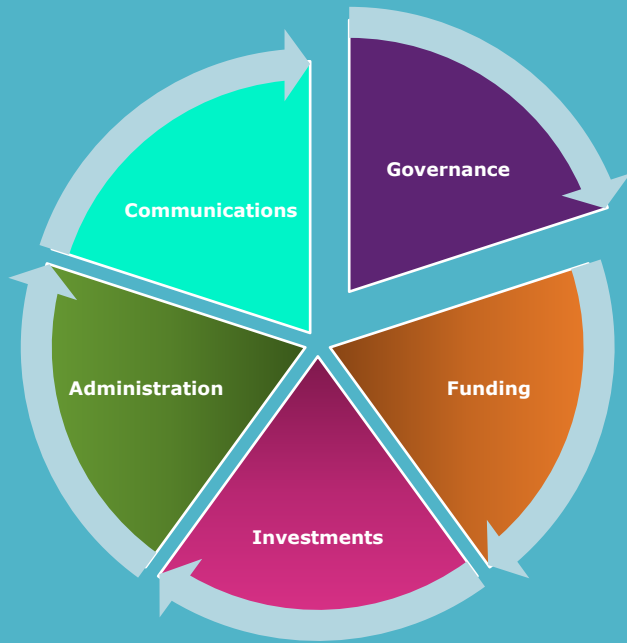


# Commentary

## 1. Governance



Strategic BAU & Key Priorities		Commentary
1. Agree 2021/22 Business Plan & Budget		The 2021/22 Business Plan & Budget process has commenced. The draft 2021/22 to 2023/24 Business Plan and 2021/22 Budget are provided as part of Agenda Item 04.A of this pack for the Boards approval.
2. Development & Implementation of Risk Management Strategy		Complete.
3. LGPS Reform		Complete for 2020/21.
4. Implementation of Members' knowledge and understanding <ul style="list-style-type: none"> <li>• Training Needs Analysis</li> <li>• Review the revised Training Strategy (Knowledge &amp; Skills)</li> </ul>		The new Knowledge and Skills Strategy and Training Plan was approved by the Board at their 16 December 2020 meeting. The Training Needs Analysis questionnaires has been completed by PAB Members in the first instance and are being analysed by Fund Officers.
5. Development of Business Continuity Policy, Plan (including Cyber security) and Testing		The PAB completed their review of the Fund's Business Continuity Policy and Plan after their 16 December 2020 meeting and is provided at Agenda Item 04.C for the Board's approval.
6. Commencement of Governance Review and Effectiveness Survey		The IGAA has commenced this review by issue of the Effectiveness Survey which has been completed by PSB and ISC Members. An update is provided as part of this Pack at Item 06.



Strategic BAU & Key Priorities		Commentary
7. Annual Review of Governance related Policies including the Governance Policy and Compliance Statement		The annual review of the Governance Policy and Compliance Statement has been completed with a draft revised version provided at Agenda Item 04.B for the Board's approval.
8. Annual Statement of Accounts including compliance with CIPFA requirements		Complete.
9. Annual review of Terms of Reference for PSB/ISC/PAB		The annual review of the PSB/ISC and PAB Terms of Reference has been completed with draft revised versions provided at Agenda Item 04.B for the Board's approval.
10. Development & Implementation of Breaches Policy		Complete.

# Commentary

## 2. Funding



Strategic BAU & Key Priorities		Commentary
1. Implementation of the outcome of the Actuarial Valuation in line with the Fund's Funding Strategy Statement		Complete.
2. Annual Interim Funding review		Complete.
3. Funding Strategy Statement review		Complete.
4. Employing Authority discretions and delegations review		Periodically reviewed as and when required.
5. Employer Risk review		Periodically reviewed as and when required.
6. Undertake Interim review of the Fund's Actuary		The Interim review of the Fund's Actuary has been completed with a report provided at Agenda Item 12 for the Board's consideration.

# Commentary

## 3. Investments



Strategic BAU & Key Priorities		Commentary
1. Strategic Asset Allocation review		Complete.
2. Commencement of Institutional Investment Consultant procurement		The shortlisted candidates will present to the ISC Appointment Sub Committee on 10 March 2021 with the results reported to the ISC at their 24 March 2021 meeting for ratification.
3. Institutional Investment Consultant – CMA review		Complete.
4. Implementation of Independent Investment Adviser procurement		Complete.
5. Commencement of Global Custody procurement		An update report was provided to the ISC at their 20 January 2021 meeting where it was agreed to commence the procurement with ACCESS colleagues which has subsequently initiated.
6. Asset/Liability Study		Complete.



Strategic BAU & Key Priorities		Commentary
7. Investment Strategy Statement review including Responsible Investment (RI) Policy		Complete.
8. 2021/22 Treasury Management Strategy review		The 2021/22 Treasury Management Strategy review has commenced with the outcome to be reported to the ISC at their 24 March 2021 meeting.
9. ACCESS collaboration		Complete for 2020/21.
10. Individual Manager review		Progress periodically reported to each ISC meeting.
11. Review of CEM Benchmarking / Cost Transparency		Complete.

# Commentary

## 4. Administration



Strategic BAU & Key Priorities		Commentary
1. LGPS Reform – Planning for Administration changes <ul style="list-style-type: none"> <li>• Unpausing of Cost Cap</li> <li>• £95k Cap</li> <li>• Goodwin</li> </ul>		Complete for 2020/21. An update in regard to the recent developments with 95K Cap are part of Agenda Item 05.
2. Review/Procure a Administration System Provider		Complete.
3. Review and implementation of Pensions Single Payments provider		New timeline to be agreed in line with ECC Corporate Systems Project.
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online		<p>Complete for 2020/21.</p> <p>Currently 63,000 (42%) individual Scheme Members have been invited to use “<i>Member online</i>” of whom 19,500 (30%) are utilising this service.</p> <p>280 Employers have registered and are using “<i>Employer online</i>”.</p>



Strategic BAU & Key Priorities		Commentary
5. McCloud Preparation / Implementation		Complete for 2020/21.
6. Development of Monthly Returns Digital Transformation		Complete for 2020/21.
7. Data Improvement Plan		Complete for 2020/21.
8. Participation in National Fraud Initiative		Complete. From 2021/22 BAU.
9. Monthly Bulk Leaver / Retire Online development / implementation		Complete for 2020/21.

# Commentary

## 5. Communications



Strategic BAU & Key Priorities		Commentary
1. LGPS Reform: <ul style="list-style-type: none"> <li>Unpausing of Cost Cap</li> <li>£95k Cap</li> <li>Goodwin</li> </ul>		Complete for 2020/21. An update in regard to the recent developments with 95K Cap are part of Agenda Item 05.
2. Greater Digitalisation of the Fund including the exploration of Electronic Communications therein		Complete for 2020/21.
3. McCloud Implications		Complete for 2020/21.
4. Social Media Channel Exploration		Complete for 2020/21.
5. Commencement of the Website review		Complete for 2020/21.
6. Annual Benefit Statements review and development		Complete.

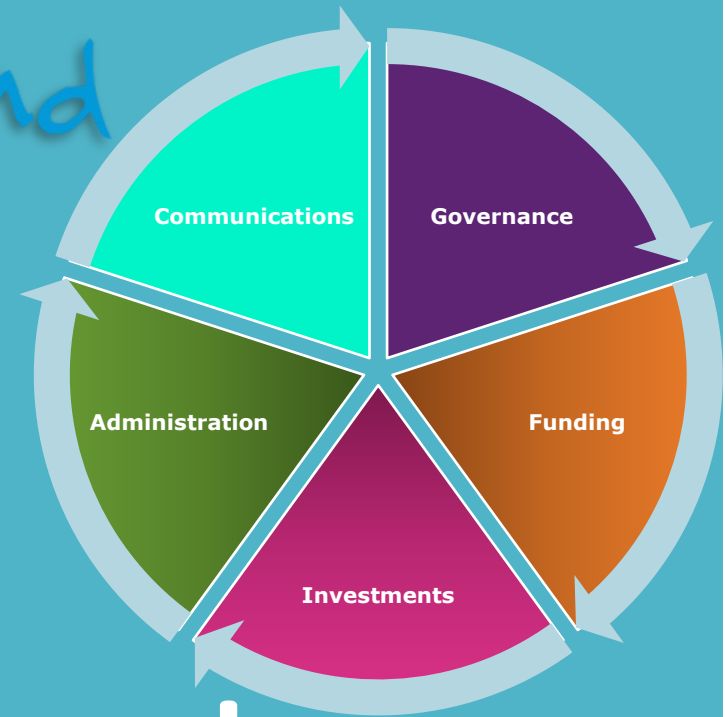


# Essex Pension Fund

## Section B


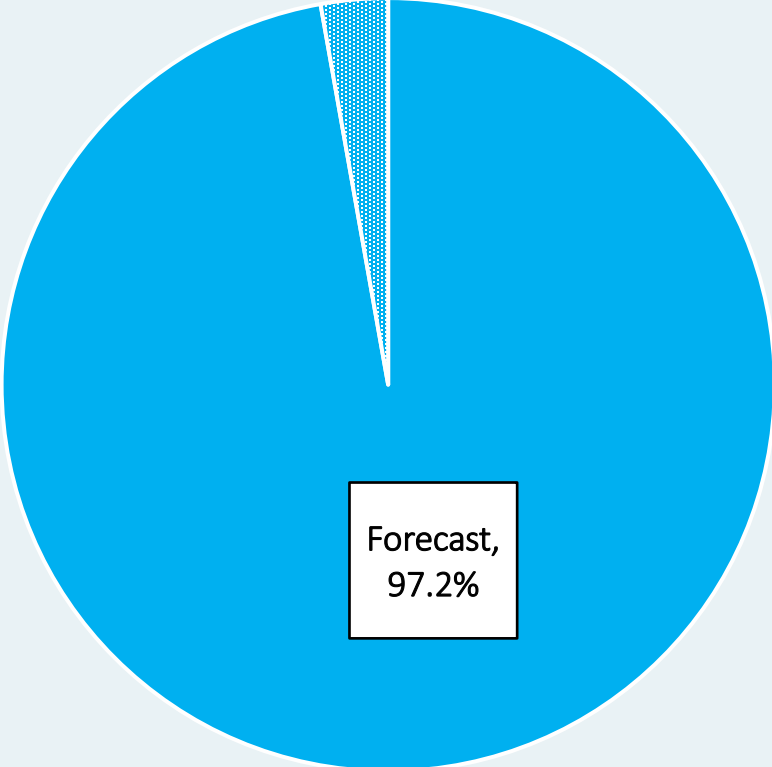





# 2020/21 Budget vs Current Forecast Q4 Update

Date produced: 01 March 2021

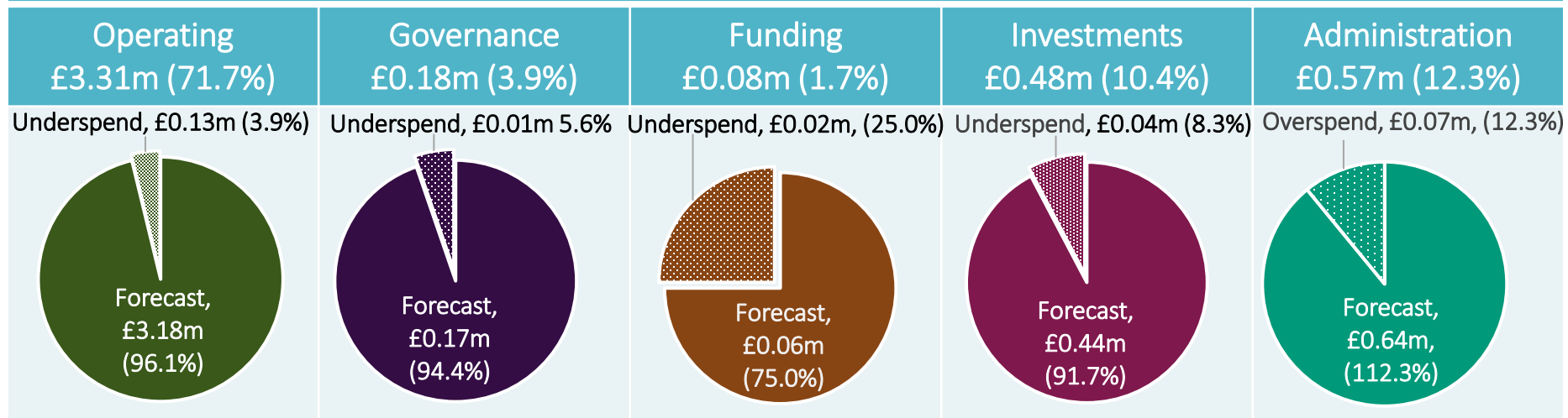


# EPF Budget vs Forecast 2020/21

## Q4 Progress Update

EPF Budget £4.62m	Current Forecast £4.49m	Variance (Under)/Overspend (£0.13m)	Rating 	Progress Update Commentary	Variance against Budget Key
 <p>Forecast, 97.2%</p> <p>Underspend, 2.8%</p>				<p><i>Overall forecast an underspend vs EPF 2020/21 Budget.</i></p>	(Under) spend > 5% 
					(Under) spend < 5% 
					On Budget 
					Over spend < 5% 
					Over spend > 5% 

## EPF Budget 2020/21: £4.62m



## Variance against Budget: Rating



## Budget Commentary

EPF Staffing Budget underspend due to 1 FTE vacancy for half the year and the continued reliance on virtual, rather than physical meetings/conferences.

Slight underspend in respect to the forecasted cost of the 2020/21 external audit.

Actuarial advice significantly under Budget. This is due to the Employer Team undertaking some of the funding work internally with advice utilised only as and when required and the contingency set aside for McCloud not being borne in the year.

Continue to forecast a moderate underspend for the year due to advice on some specific investment areas budgeted but not being required.

Overspend relates to the new Civica contract terms that commenced in August 2020 and in particular a one off fee borne at the start of the contract in regard to licencing and hosting. These costs were not fully anticipated when formulating the 2020/21 Budget.

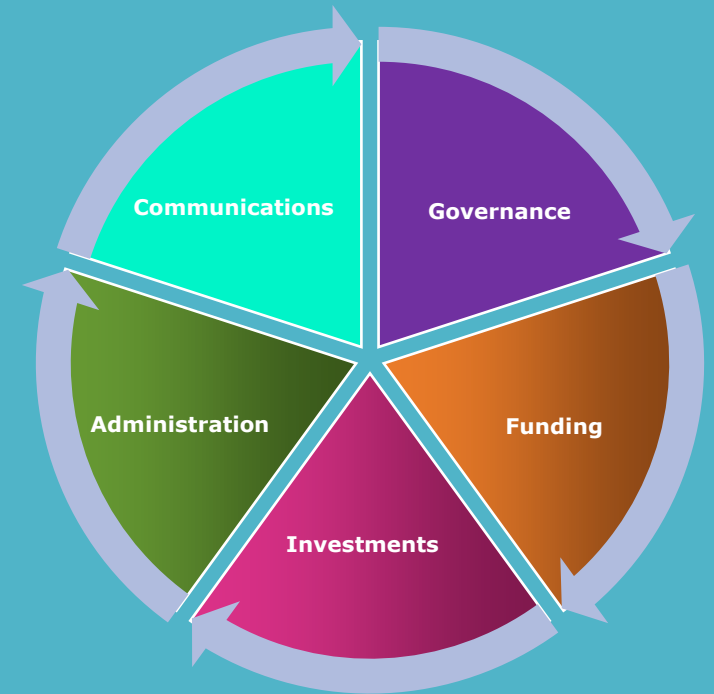
# Essex Pension Fund

Section C

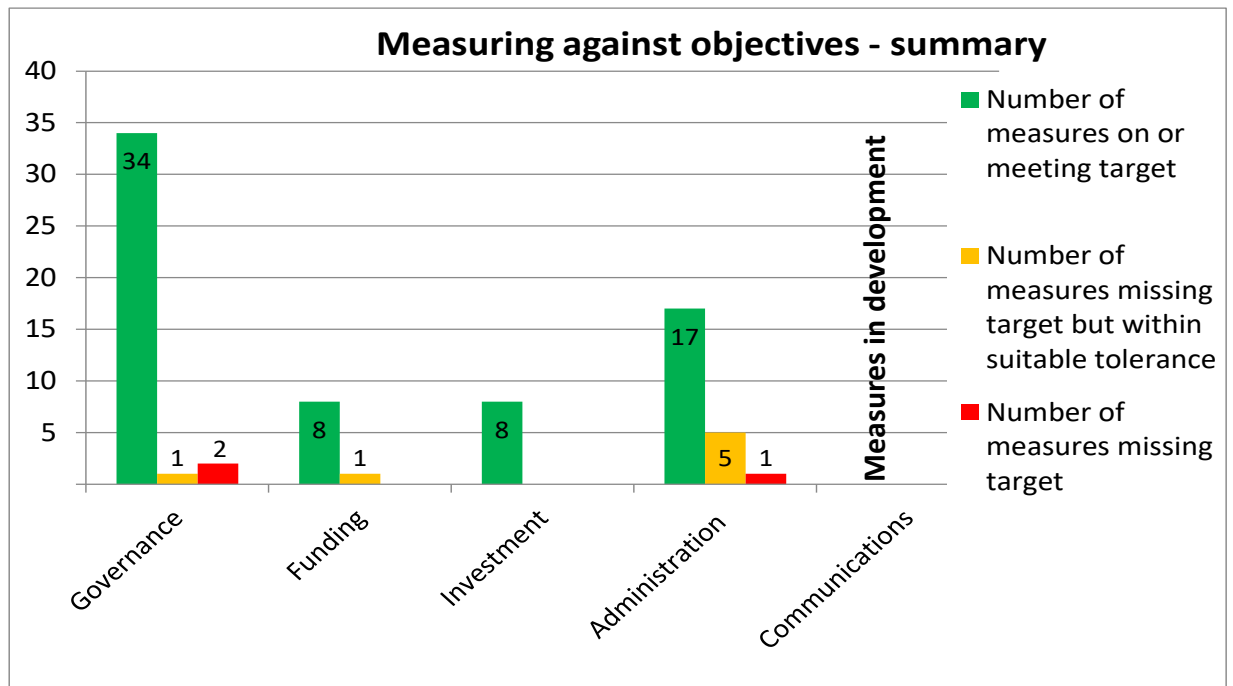
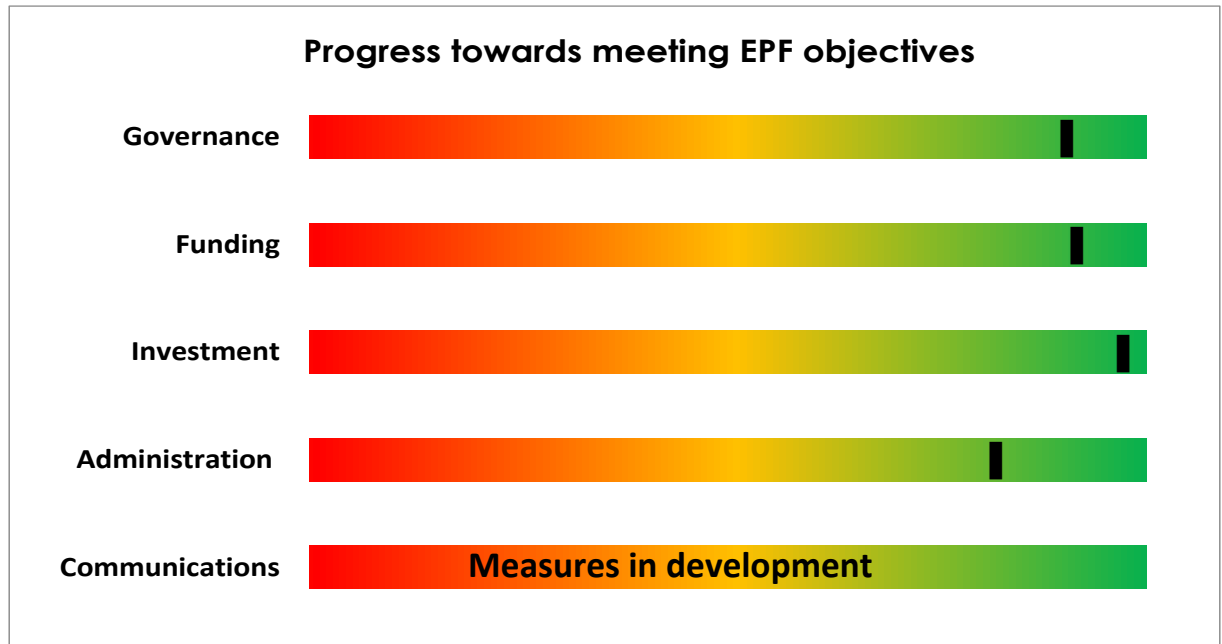
2020/21

## Scorecard Update

01 December 2020 - 28 February 2021



# Current Status



# Movements since previous Scorecard




The numbers on the arrows represent the number of measures moving each way

Movements during the period 01 December 2020 to 28 February 2021

# Exceptions - Governance

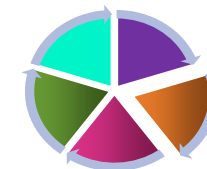


Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
1.3.10. PAB Members achieved required training credits within a rolling 2-year period	90%	76%	95%	This is against the new target to achieve 12 credits in a rolling two year period in line with the new Knowledge and Skills Strategy. 76% was reported at the 16 December 2020 PSB against the previous target of 22 credits.	
1.3.11. % attendance at meetings by PAB	80%	78%	67%	1 PAB meeting took place in this scorecard period on 16 December 2020. 78% was reported at the 16 December PSB.	
1.5.6. PAB has provision for representatives of employers and scheme members. Appointees are currently in place	Yes	Yes	No	On 17 February 2021, Fund Officers received a resignation from one PAB Scheme Member representative. A paper in relation to the proposed recruitment for this position is provided as part of this Agenda Pack.	

Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
1.6.1. % of risks currently equal to or better than total target risk rating	90%	91%	89%	This has declined from 91% reported at the 16 December 2020 PSB due to the change in score in regard to risk 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” relating to the pending local elections and the impact this may have on the Board/Committee Membership. In addition, the Fund have received a resignation from a PAB Scheme Member representative.	



# Exceptions - Funding



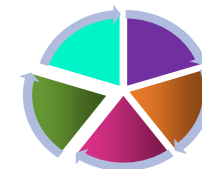
Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
2.4.2. Expected return of investment strategy is higher than the funding strategy assumed return	Yes		Yes	The Asset Liability Study was reported to the ISC at their 20 January 2021 meeting, with no changes required to the de-risking programme. The outcome was the current strategy is expected to achieve at 5.5% return against the Funding Strategy assumption of 4.5%.	N/A
2.6.1. Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.000%	0.001%	0.001%	The Fund now has two liquidations in progress as a result of Covid-19, the value at this stage is unknown and will be shared with the PSB at a future meeting.	↔

# Exceptions - Investment



Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
3.1.5. Investment Strategy one year funding level at risk for Essex Pension Fund	25.0%		24.5%	This is an annual measure as at 30 September 2020	N/A

# Exceptions - Administration



Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
4.1.12. Meeting Fund's agreed timescales - Calculate and notify deferred benefits within 30 working days	95%	79%	79%	<p>This has decreased from 90% in 2018/19 to 78% in 2019/20 due to the increase of retrospective notifications. This is an annual measure and will not be updated until August 2021. The Fund were below the CIPFA Average of 82%</p> <p>3,090 cases in 2019/20 6,581 cases in 2018/19 2,111 cases in 2017/18</p>	
4.2.1. % of contributing employers submitting timely payments	100.0%	98.2%	97.9%	Previous score reported to 16 December PSB was 98.2%	
4.2.2. % of employers submitting employer contribution amounts in accordance with rates and adjustments certificate	100.0%	99.8%	99.8%	Previous score reported to 16 December PSB was also 99.8%	

# Essex Pension Fund

## Section D

# 2020/21 Risk Management Update

01 December 2020 – 28 February 2021



# Current Status

## Essex Pension Fund



(No. in brackets represents the previous scores reported to the 16 December PSB)

The Exception Report only shows those that have not yet reached their target score.

# Assessments

## BAU

Risk	Reported at 16 December PSB	As at 28 February 2021
G3. Lack of expertise, insufficient knowledge and maintenance of PSB/ISC/PAB	4 (Yellow) Risk has been partially mitigated due to the appointment of the Employer Representative on the PSB.	6 (Yellow) Reviewed due to the pending local elections due to take place in May and the resignation of one PAB Member
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	8 (Amber) Implications of Covid-19 pandemic	8 (Amber) Reviewed due to the lockdown restrictions and reinstatement of two-weekly Business Continuity Meetings
A1. Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to: - lack of regulatory clarity; - system issues; - insufficient resources.	9 (Amber) Implications of Covid-19 pandemic	9 (Amber) Reviewed due to the increase in the Covid-19 death rate
A3. Failure to pay people at right time in right amount	6 (Yellow) Imminent risk has now been mitigated effectively however a lower risk still remains due to further BACs Cloud procurement	6 (Yellow) Pending BACS Cloud Procurement update



# 1. Exceptions - Governance

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
G3. A lack of expertise, insufficient knowledge and maintenance of the Essex Pension Fund Strategy Board (PSB), Essex Pension Fund Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) arising out of high turnover and/or changes within the Local Government Pension Scheme (LGPS) benefit structure, regulations and associated directives/deliverables	4	6	<ol style="list-style-type: none"><li>1. Training Plan is in place.</li><li>2. PSB/ISC/PAB Members have to complete specific Chartered Institute of Public Finance &amp; Accountancy (CIPFA) modules on a two-year cycle.</li><li>3. Induction training for new Members within 3 months of appointment.</li><li>4. Training plan is reviewed/adapted to reflect changes within LGPS.</li><li>5. Essex Pension Fund (EPF) use Advisers i.e. Independent Governance &amp; Administration Adviser (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>	4



# 1. Exceptions - Governance

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	8	8	<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. Essex County Council (ECC) also exercise their BCP which includes EPF.</li> </ol>	6
<p>G14. Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> <li>- McCloud, Cost Cap, £95k Cap and Goodwin - MHCLG Consultations likely to impact on the Fund i.e. resources to deliver the required outputs;</li> <li>- Academisation of Schools, the possibility of Multi-academy Trust (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> </ul>	12	12	<ol style="list-style-type: none"> <li>1. Regular communications with schools to understand their intentions.</li> <li>2. Essex Pension Fund (EPF) and their Advisers are actively involved in the development of the LGPS.</li> <li>3. EPF monitor the current and new regulations and correspondence from Ministry of Housing, Communities and Local Government (MHCLG) and Local Government Association (LGA).</li> </ol>	4





# 1. Exceptions - Governance

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
<p>G14 continued.</p> <ul style="list-style-type: none"> <li>- Superannuation Contributions Adjusted for Past Experience (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 Local Government Pension Scheme (LGPS) and HM Treasury taking all the assets / structural change;</li> <li>- Guaranteed Minimum Pension (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>	12	12	<ul style="list-style-type: none"> <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 Adviser (IGAA)</li> <li>6. A McCloud project team was set up autumn 2019 to ensure requirements are being actioned and communicated with Employers. The Fund will continue to communicate with Employers and updates on the latest developments will be provided throughout the year.</li> </ul>	4



# 4. Exceptions - Administration

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
<p>A1. 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>	9	9	<ol style="list-style-type: none"><li>1. Essex Pension Fund (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 Local Government Pension Scheme (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>	6



# 4. Exceptions - Administration

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
A3. 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.	6	6	<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. Essex Pension Fund (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></ol>	3



# 4. Exceptions - Administration

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
A3 Continued.	6	6	<div>6. Liaise with Essex County Council (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.</div> <div>7. ECC's Corporate System 'TCS' (Financial Ledger system) is in the process of being replaced by another system.</div>	3