

Essex Pension Fund Strategy Board	PSB/21/15
Date: 16 September 2015	

Update on Pension Fund Activity

Joint Report by the Director for Essex Pension Fund & Head of Essex Pension Fund
Enquiries to Kevin McDonald on 03330 138488 and Jody Evans on 03330 138489

1. Purpose of the Report

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

- 2015/16 business plan
- three year business plan
- risk management
- scorecard

2. Recommendations

2.1 That the Board notes:

- progress against the 2015/16 business plan
- the 3 year business plan
- the current risks with a residual score of six or above
- the latest scorecard measures

3. Background

3.1 The following documents accompany this report:

- an update on the 2015/16 business plan at Annex A(i);
- the 3 year business plan at Annex A(ii);
- unchanged risks with a residual score of six or above are detailed at Annex B;
- the full scorecard is attached at Annex C.

4. Related matters subject to separate agenda items

4.1 Matters subject to separate agenda items include:

- Interim Review 31 March 2015
- Structural Reform of LGPS – Budget 2015
- Investment Steering Committee (ISC) Quarterly report
- Knowledge & Skills Training strategy
- External Auditors Report

5. End of Year Returns and Annual Benefit Statements

5.1 At its 8 July 2015 meeting, the PSB was updated on progress with business plan action 16 which covers the year end data collection exercise and the production of Annual Benefit Statements (ABS). It was noted that, in common with experience throughout the LGPS in England & Wales, delays in receiving year end data of sufficient quality from all Fund employers was impacting on the Fund's ability to deliver an ABS to active scheme members by the 31 August deadline. The PSB agreed that a target bet set of an ABS being issued to **95%** of the Fund's active membership by 31 August deadline.

5.2 After the last PSB meeting notifications of fines were issued to employers who, as at end June had neither submitted data nor been in touch with Fund officers.

5.3 By 15 August 2015 data returns had been received from 93.4% of employers which enabled the Fund to undertake the necessary data processing ahead of submission to the external printers for publication in respect of **93%** of the Fund's active membership.

5.4 As a consequence:

- each of the employers who did not submit data or data of sufficient quality has been notified that their LGPS workforce will not receive an ABS in line with the statutory requirement;

- an update has been placed on the Fund's web site, advising the employees affected by the absence of data from certain employers, that an ABS will be forwarded to them later this year;
- Fund officers have advised the Pension Regulator of the situation; and
- both the Local Government Association (LGA) and National Association of Pension Funds (NAPF) have made representations to the Pension Regulator on behalf of LGPS Funds.

5.5 For the purposes of the measures appearing elsewhere within this agenda item:

- risk measure **A18** remains red; and
- scorecard measure **4.1.9** is now amber (the first time it has not been green).

5.6 Fund officers continue in their dialogue with employers. Planning is underway for employer engagement and training events later in the year. Proposals on the approach to the year-end data collection exercise for 2015/16 – including a risk assessment and scale of fines for non-compliance – will be brought to the PSB's next meeting on 9 December 2015.

6. Business Plan 2015/16

6.1 Progress is broadly on track with the business plan shown at Annex A(i). Of the 23:

- 3 (13%) have been completed;
- 15 (65%) are in progress, of which 4 are subject to items elsewhere on this agenda
- 5 (22%) are scheduled to commence later in the year.

7. 3 year Business Plan

7.1 The 3 year Business Plan, providing a high level summary of key work streams is shown at Annex A (ii).

8. Risk Register

8.1 Unchanged risks with a residual score of six or above are detailed at Annex B;

8.2 The full risk register is available on infoBOARD.

9. Scorecard

9.1 The scorecard is set out in Annex C.

- 9.2 The Knowledge & Skills Training Strategy appears elsewhere on this agenda. Those measures relating to training (1.2.1; 1.2.2; 1.2.3; 2.2.2; 2.2.3) are shown as grey within the scorecard and will be reviewed in the light of the PSB's consideration of that item.
- 9.3 Based upon the Local Authority Universe of data issued by State Street in July 2015, Essex Fund has the highest investment return for 2014/15 out of the selected peer group of local LGPS Funds. Measure 2.1.1 therefore remains green.
- 9.4 At its meeting on 22 July, the ISC reviewed the cash flow position of the Fund and agreed a revision to measure 3.4.1 to reflect the Fund's partial use of investment income to fund benefit expenditure.
- 9.5 As highlighted in section 5 of this report, an ABS was issued to 93% of the Fund's active membership by the 31 August 2015 deadline. Measure 4.1.9 is therefore amber for the first time.
- 9.6 Measure 4.1.14 covers the payment of death grants. For the first time since this measure was introduced there have been instances where individuals named in the nomination have predeceased the scheme member. As a consequence the death grant has been paid to the next of kin. The detailed analysis which accompanies 4.1.14 has been expanded to reflect this.
- 9.7 There were 81 minor data breaches in the quarter and as a result measure 4.2.1 is amber. Over 12,500 letters were distributed to Fund members who had a change in their circumstances (i.e. joined the Fund voluntarily, brought into the Fund by auto-enrolment, changed job or started an additional employment with an admitted employer) since the migration to the new CIVICA/UPM system in November 2014. Of this total, 81 letters (0.6%) wrongly paired names with the wrong address. This was the result of human error during the bulk upload of data to the new system.
- 9.8 This breach has been reported in line with ECC's data breach protocols. 81 revised letters have been distributed explaining and correcting the situation. The data on UPM has been corrected.

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
 - Continually measure and monitor success against our objectives

11. Risk Implications

- 11.1 Key risks are identified at Annex B

12. Communication Implications

- 12.1 Key lines of communication are required with both Board Members and other stakeholders. .

13. Finance and Resources Implications

- 13.1 The business plan for 2015/16 is challenging and will require significant input by officers and advisers to bring some of the actions to conclusion. The staffing structure will be reviewed during the year.

14. Background Papers

- 14.1 None.