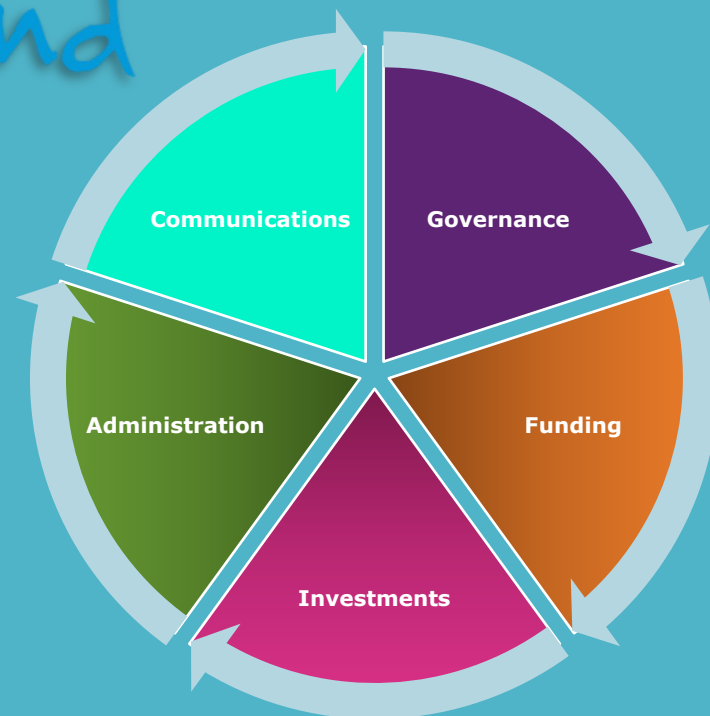


Essex Pension Fund

Update on Pension Fund Activity

Agenda Item 06



Contents:

Section A: Business Plan Progress Update

Section B: Scorecard Update

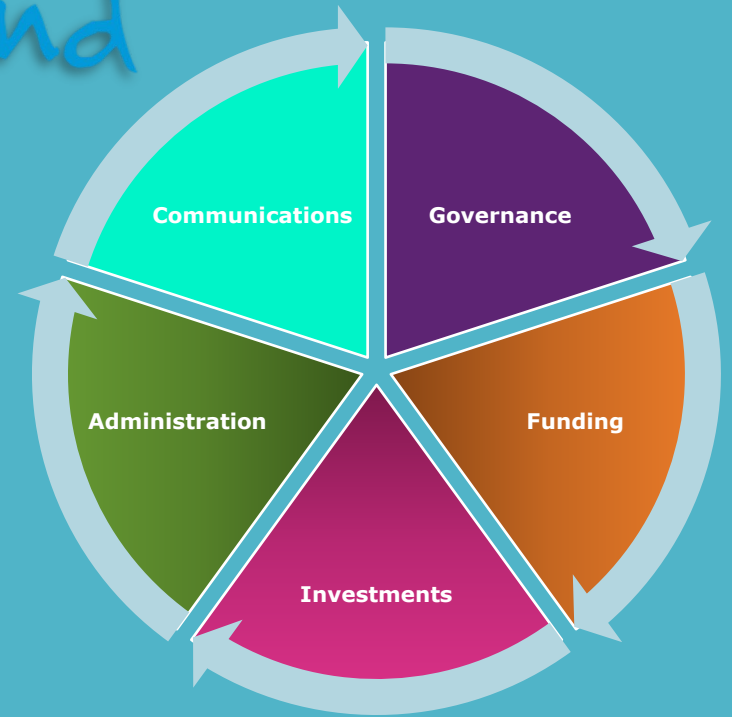
Section C: Risk Management

Essex Pension Fund

Section A

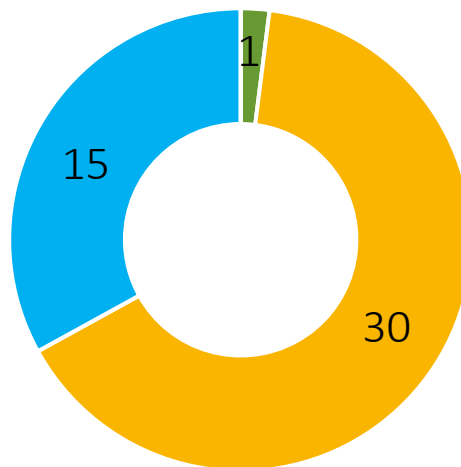
2022/23 Business Plan Progress Update

As at 30 June 2022



Strategic BAU & Key Priorities

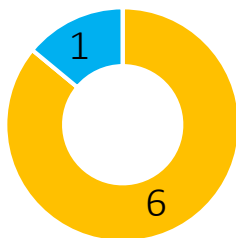
Essex Pension Fund



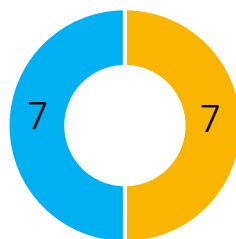
Of 46 Priorities

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

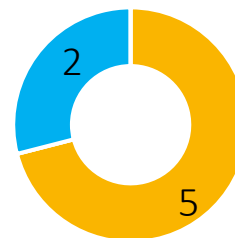
Funding



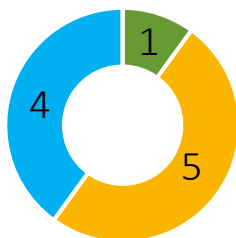
Investments



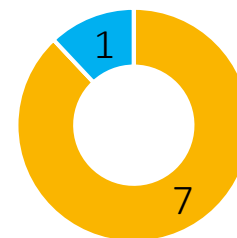
Administration



Governance

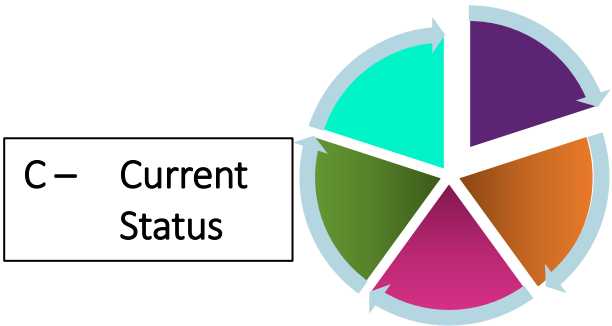


Communications

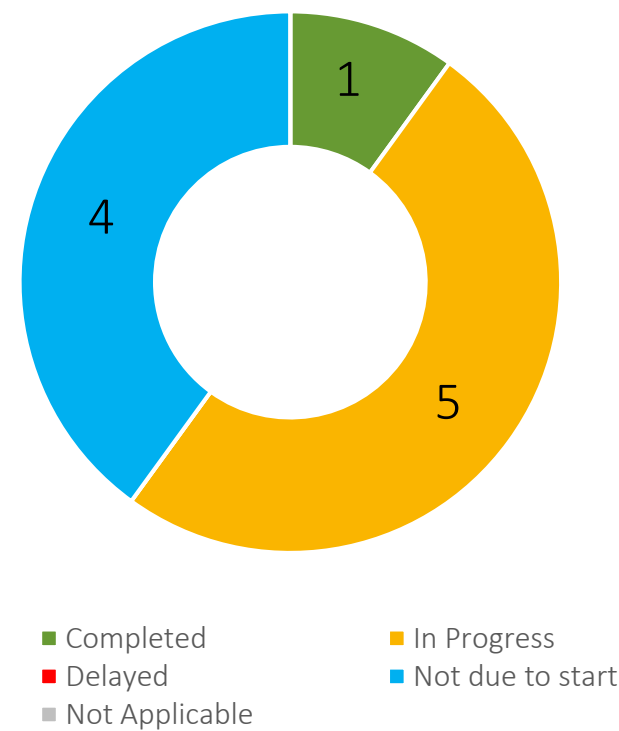


1. Progress - Governance

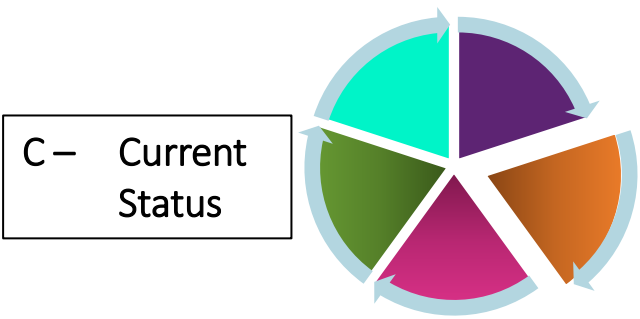
Strategic BAU & Key Priorities	C
1. Agree 2023/24 Business Plan & Budget	
2. Annual review of PSB/ISC/PAB Terms of Reference	
3. Review of Conflict of Interest Policy	
4. Business Continuity Plan (including Cyber security) and Testing	
5. Annual Statement of Accounts including compliance with CIPFA requirements	
6. Implementation of Stakeholder Engagement Strategy	
7. PAB Annual Workplan	
8. PSB and PAB Member Appointments	
9. Fund's Strategic Objectives	
10. LGPS Reform / Consultations / Changes to the Scheme	



Strategic BAU & Key Priorities

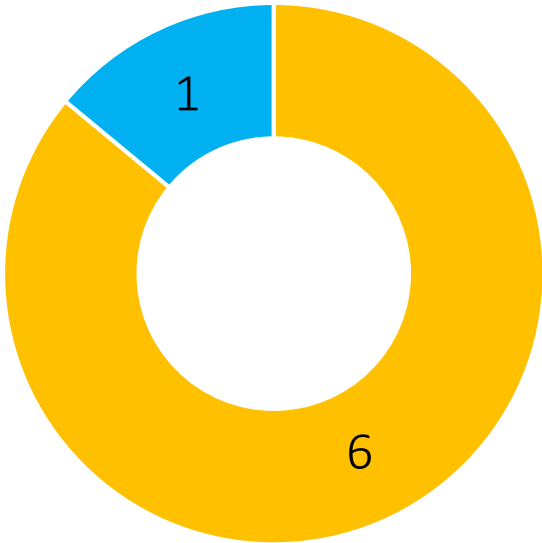


2. Progress - Funding



Strategic BAU & Key Priorities	C
1. Review of Funding Strategy Statement	
2. Actuarial Valuation (including review of assumptions)	
3. Employer Risk Exercise	
4. Longevity Analysis of Fund	
5. Employing Authority discretions and delegations	
6. McCloud Preparation/Implementation	
7. Employer Training Webinars	

Strategic BAU & Key Priorities

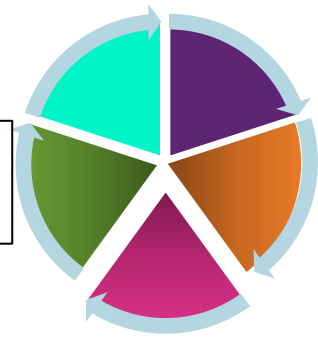


- Completed
- Delayed
- Not Applicable
- In Progress
- Not due to start

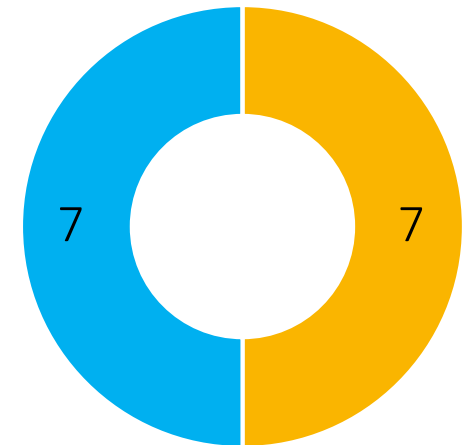
3. Progress - Investments

Strategic BAU & Key Priorities	C
1. Annual Reporting on Responsible Investment (RI)	In Progress
2. Implementation of Investment Managers Engagement Strategy	In Progress
3. Annual review of Treasury Management Strategy	In Progress
4. Review of Strategic Asset Allocation	In Progress
5. Ongoing ACCESS collaboration	In Progress
6. Quarterly Individual Manager review (on an exceptional basis)	In Progress
7. Annual review of CEM Benchmarking/Cost Transparency	In Progress
8. Annual Signatory of the Financial Reporting Council (FRC) UK 2020 Stewardship Code	In Progress
9. Annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy	In Progress
10. Implementation of Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures (TCFD))	In Progress
11. Exploration of PLSA Responsible Investment Quality Mark (RIQM)	In Progress
12. Exploration and development of Voting Policies	In Progress
13. Annual Institutional Investment Consultant – CMA review	In Progress
14. External RI Adviser Exploration	In Progress

C – Current Status



Strategic BAU & Key Priorities



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

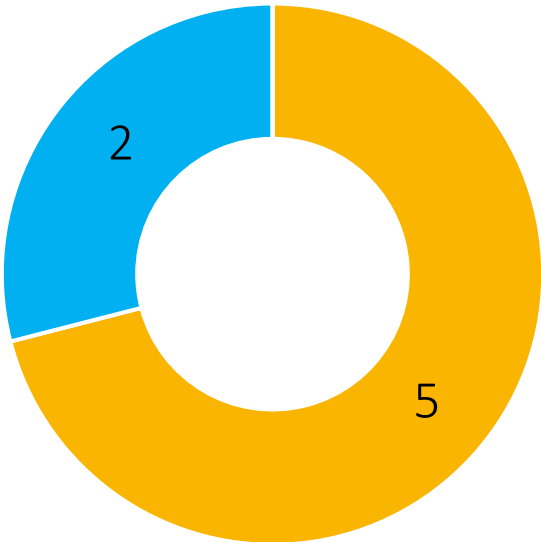
4. Progress - Administration

C – Current Status



Strategic BAU & Key Priorities	C
1. Exploration of a Data Retention Policy	In Progress
2. LGPS Reform / Changes to Scheme / Planning for Administration changes	In Progress
3. Implementation of Pensions Single payments	Not due to start
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online	In Progress
5. Review of Administering Authority Discretions	Not due to start
6. McCloud Preparation/Implementation	In Progress
7. Implementation of Monthly Returns Digital Transformation	In Progress

Strategic BAU & Key Priorities



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

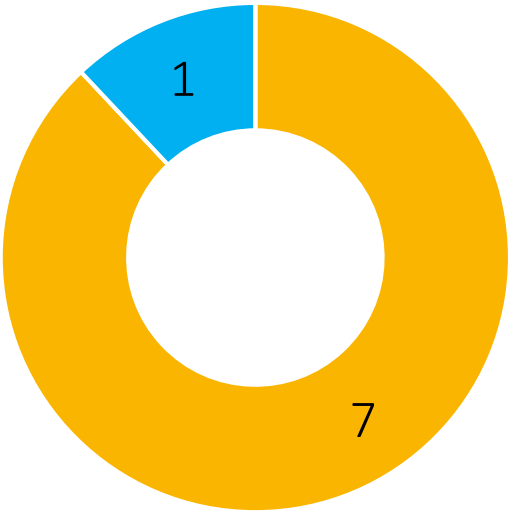
5. Progress - Communications



C – Current Status

Strategic BAU & Key Priorities

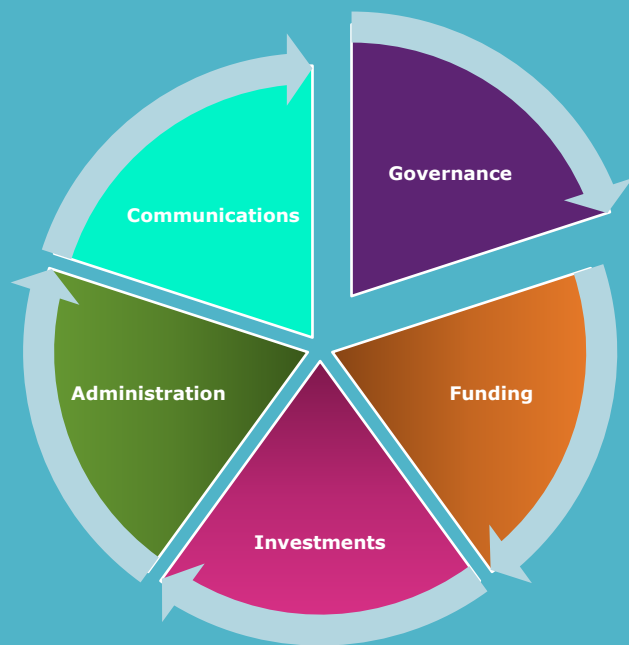
Strategic BAU & Key Priorities	C
1. Review of Communications Policy	
2. Implementation of Stakeholder Engagement Strategy	
3. LGPS Reform / Communications of: Consultations / Changes to the Scheme	
4. Greater Digitalisation of the Fund including the exploration of Electronic Communications	
5. McCloud Implications	
6. Explore new Website Options	
7. Annual Benefit Statements	
8. Review of Fund Surveys	



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

Commentary

1. Governance



Strategic BAU & Key Priorities		Commentary
1. Agree 2023/24 Business Plan & Budget		2022/23 Business Plan & Budget was agreed at the 18 March 2022 PSB meeting. The 2023/24 Business Plan & Budget process will commence in Q4 2022/23.
2. Annual review of PSB/ISC/PAB Terms of Reference		Complete. ISC Terms of Reference presented to the Committee at their 15 June 2022 meeting. PSB and PAB Terms of Reference to be presented at their 06 July 2022 meetings.
3. Review of Conflict of Interest Policy		Due to commence during Q2 2022/23.
4. Business Continuity Plan (including Cyber security) and Testing		Ongoing. Testing is conducted periodically throughout the year with changes made to the Plan where necessary.
5. Annual Statement of Accounts including compliance with CIPFA requirements		In progress.



Strategic BAU & Key Priorities		Commentary
6. Implementation of Stakeholder Engagement Strategy		In progress. Continuous implementation throughout 2022/23.
7. PAB Annual Workplan		In progress. Update provided at the PAB's 06 July 2022 meeting.
8. PSB and PAB Member Appointments		Due to commence in Q2 2022/23.
9. Fund's Strategic Objectives		If applicable, will be reviewed in Q4 2022/23.
10. LGPS Reform / Consultations / Changes to the Scheme		Ongoing. Continuous development and implementation throughout the year.

Commentary

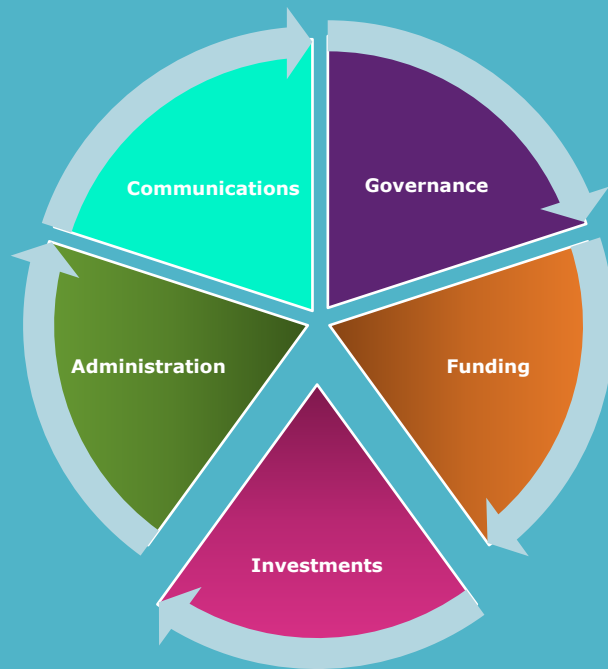
2. Funding



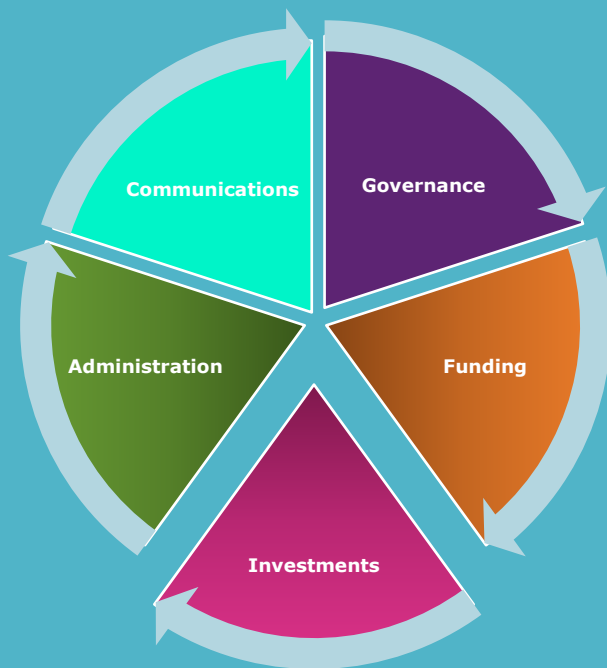
Strategic BAU & Key Priorities		Commentary
1. Review of Funding Strategy Statement		Due to commence in Q3.
2. Actuarial Valuation (including review of assumptions)		In progress. Update provided as part of this Agenda Pack.
3. Employer Risk Exercise		Ongoing. An update has been provided as part of this Agenda Pack.
4. Longevity Analysis of Fund		In progress. In line with the 2022 Triennial Valuation.
5. Employing Authority discretions and delegations		Ongoing.
6. McCloud Preparation/Implementation		Ongoing.
7. Employer Training Webinars		Ongoing.

Commentary

3. Investments



Strategic BAU & Key Priorities		Commentary
1. Annual Reporting on Responsible Investment (RI)		Due to commence in Q3 2022/23.
2. Implementation of Investment Managers Engagement Strategy		Ongoing. Continuous throughout 2022/23.
3. Annual review of Treasury Management Strategy		Due to commence in Q3 2022/23.
4. Review of Strategic Asset Allocation		This is conducted on a Biannual basis. The first review took place at the ISC meeting held on 15 June 2022.
5. Ongoing ACCESS collaboration		Ongoing. Updates are reported at each ISC meeting and the AJC is attendance by Fund Officers and the ISC Chairman.
6. Quarterly Individual Manager review (on an exceptional basis)		Routinely reported to ISC at each meeting.
7. Annual CEM Benchmarking/Cost Transparency		Due to commence in Q2 (July) 2022/23.



Strategic BAU & Key Priorities		Commentary
8. Annual Signatory of the Financial Reporting Council (FRC) UK 2020 Stewardship Code		In progress. Initial submission issued in April 2022 – outcome expected late Summer.
9. Annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy		Ongoing. Continuous throughout 2022/23.
10. Implementation of Climate Change Policy Objectives and Metrics (TCFD)		Due to commence Q3 2022/23.
11. PLSA Responsible Investment Quality Mark (RIQM)		Exploration to commence in Q2 2022/23.
12. Exploration and development of Voting Policies		Exploration to commence in Q3/Q4 2022/23.
13. Annual Institutional Investment Consultant – CMA review		Due to commence in Q3 2022/23.
14. External RI Adviser Exploration		Ongoing.

Commentary

4. Administration



Strategic BAU & Key Priorities		Commentary
1. Exploration of a Data Retention Policy		In progress.
2. LGPS Reform / Changes to Scheme / Planning for Administration changes		Ongoing. Continuous development and implementation throughout the year.
3. Implementation of Pensions Single payments		Due to commence once BACS cloud solution fully embedded throughout ECC.
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online		Ongoing. Continuous development and implementation throughout the year.
5. Review of Administering Authority Discretions		Due to commence Q2/Q3 2022/23.
6. McCloud Preparation/Implementation		Ongoing. Continuous development and implementation throughout the year.
7. Implementation of Monthly Returns Digital Transformation		Ongoing. Continuous implementation throughout the year.

Commentary

5. Communications



Strategic BAU & Key Priorities		Commentary
1. Review of Communications Policy		In progress.
2. Implementation of Stakeholder Engagement Strategy		In progress. Continuous implementation throughout 2022/23.
3. LGPS Reform / Communications of: Consultations / Changes to the Scheme		Ongoing. Continuous development and implementation throughout the year.
4. Greater Digitalisation of the Fund including the exploration of Electronic Communications		Ongoing. Continuous implementation throughout the year.
5. McCloud Implications		Ongoing. Continuous development and implementation throughout the year.
6. Explore new Website Options		Exploration to commence in Q3 2022/23.
7. Annual Benefit Statements		In progress. Deferred ABS issued end by 31 May 2022 deadline. Active ABS data collection in progress.
8. Review of Fund Surveys		In progress. Presentation at July 2022 PAB meeting as part of the PAB Annual Workplan.

Essex Pension Fund

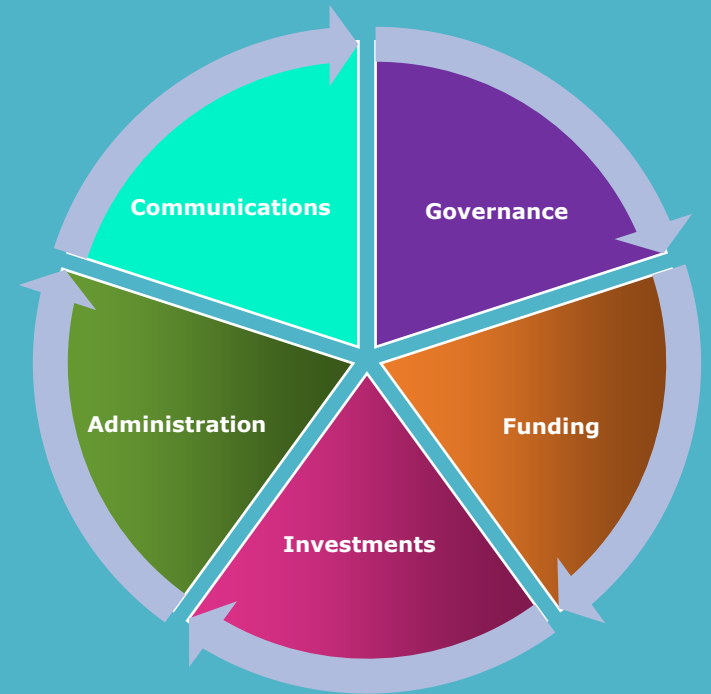
Section B

2021/22

Scorecard

Update

01 January 2022 - 31 March 2022

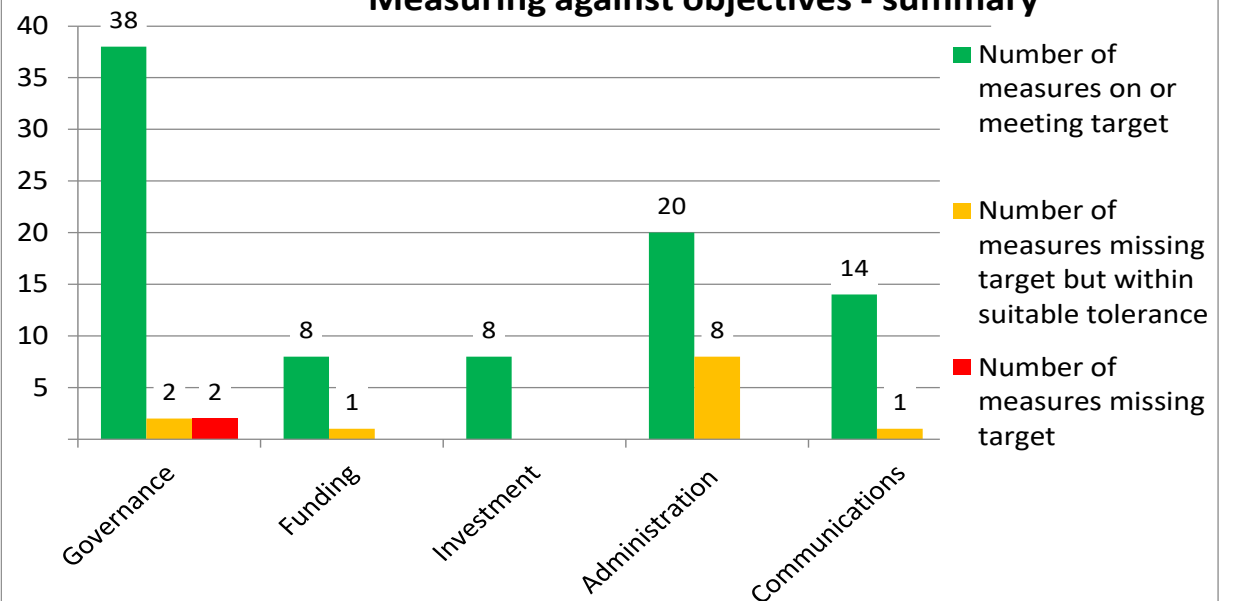


Current Status

Progress towards meeting EPF objectives



Measuring against objectives - summary



Movements since previous Scorecard

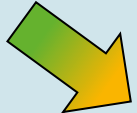

Governance	Funding	Investment	Administration	Communications
	No movements since last Quarter	No movements since last Quarter	No movements since last Quarter	No movements since last Quarter


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

Movements during the period 01 January 2022 to 31 March 2022

Exceptions - Governance



Measure	Target	Score as at 31 December 2021	Score as at 31 March 2022	Detail	Trend
1.3.9. % attendance at meetings by ISC	80%	94%	78%	<p>One ISC meeting took place during this Scorecard period on 23 February 2022. 94% was reported to the 18 March PSB.</p> <p>The total attendance rate for 2021/22 was 89%.</p>	
1.3.11. % attendance at meetings by PAB	80%	67%	56%	<p>One PAB meeting took place in this Scorecard period on 18 March 2022 where only five PAB Members could attend. 67% was reported to the 18 March 2022 PSB.</p> <p>The total attendance rate for 2021/22 was 79%.</p> <p>06 July 2022 PAB meeting will be held in-person and 100% attendance is expected.</p>	
1.5.8. Effectiveness review of the Boards/Committee carried out	Yes		Yes	<p>IGAA completed the Effectiveness Review and reported final findings to the 18 March 2022 PSB.</p> <p>No recommendations were made.</p>	New

Measure	Target	Score as at 31 December 2021	Score as at 31 March 2022	Detail	Trend
1.6.1. % of risks currently equal to or better than total target risk rating	90%	91%	89%	Two movements were recorded up to quarter end 31 March 2022. One upgraded due to the increased likelihood of a Cyber related incident; and one downgraded due to the recent developments regarding the wider LGPS implications which was reported to the 18 March 2022 PSB. In addition, no new risks were identified.	

Essex Pension Fund

Section C

2022/23 Risk Management Update

30 June 2022



Essex Pension Fund

Current
Status

Probability

Almost
Certain
(4)

Likely
(3)

Possible
(2)

Unlikely
(1)

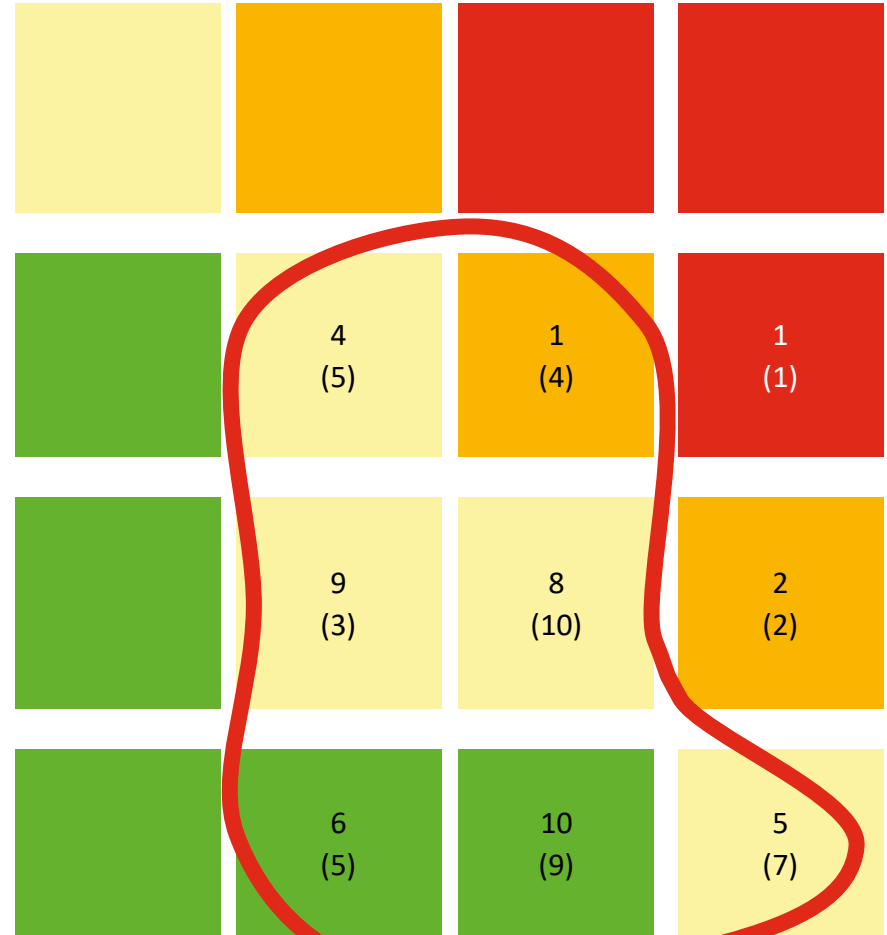
Minor
(1)

Moderate
(2)

Major
(3)

Critical
(4)

Impact



(No. in brackets represents the previous scores reported to the 18 March 2022 PSB)

Re-Assessments

Re- Assessments from formal review by Fund Officers

Risk Title	Previous Assessment	Revised Assessment / Target Score as at 30 June 2022
G9. Business Continuity	6 (Yellow)	4 (Yellow)
G10. Risk Management	4 (Yellow)	2 (Green)
G11. Pension Fund Activity	4 (Yellow)	3 (Green)
I1. Investment Return	9 (Amber)	4 (Yellow)
F4. Employer Risk Analysis	6 (Yellow)	4 (Yellow)
F5. Employer Affordability	6 (Yellow)	4 (Yellow)
F6. Admission Agreements	9 (Amber)	4 (Yellow)
F9. Cost Management	9 (Amber)	4 (Yellow)

Assessments - BAU

Assessments

BAU

Risk	Reported at 18 March 2022 PSB	As at 30 June 2022
<p>G3. Board/Committee Member knowledge and Expertise</p> <p>Due to 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 increase the risk of a poor decision and policymaking resulting in unprofitable investments and funding</p>	<p>6 (Yellow)</p> <p>The impact was increased at the December 2021 PSB meeting from 2 to 3 due to the Fund's Advisers (Aon, Barnett Waddingham, Hymans Robertson) having the potential to reach retirement at similar periods. There is a risk the Fund could lose years of knowledge and expertise that the Advisers have gained over time with the Fund all at once. Fund Officers continued investigation of the likelihood and impact of this risk materialising not just with Advisers but Fund Officers, Boards and Committee too. This has been added to the mitigations of this risk.</p>	<p>6 (Yellow)</p> <p>Discussion are still being held with Fund Officers and Advisers. Level of risk to stay the same until all discussions have been held.</p>

Assessments

BAU

Risk	Reported at 18 March 2022 PSB	As at 30 June 2022
G4. Staff Knowledge and Expertise There is a risk that the failure of Officers to maintain sufficient levels of competence and/or resource to discharge their duties could lead to retention of inefficient staff, therefore, relying on key officers impacting on the wellbeing of staff and a reduced work rate for the Fund	6 (Yellow) Refer to G3 overleaf.	6 (Yellow) Refer to G3 overleaf.
G13. Cyber Risk Due to cybercrime activities impacting on integrity, there is a risk of inability to carry out day-to-day business functions, which would result in reputational damage and financial loss	12 (Red) Geo Political instability, staff have been advised to be more vigilant when receiving emails to minimise this risk materialising.	12 (Red) This risk remains the same due to the continued risk under the current Geo Political climate.

Exceptions — Not at Target Score



Exceptions - Governance

Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
<p>G3. Board/Committee Member Knowledge and Expertise</p> <p>Due to 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 increase the risk of a poor decision and policymaking resulting in unprofitable investments and funding</p>	6	6	<ol style="list-style-type: none">1. Knowledge and Skills Strategy for Board/Committee Members and Group/Individual Training Plans are in place and are reviewed periodically.2. PSB/ISC/PAB Members have to complete specific Chartered Institute of Public Finance & Accountancy (CIPFA) modules and The Pensions Regulator (TPR) within a two-year cycle which is included within the LGPS Online Learning Academy (LOLA).3. Induction training for new Members within 3 months of appointment along with a Training Needs Analysis (TNA) carried out within 6 months of appointment enabling their Individual Training Plan to be developed.4. Training Plans are reviewed/adapted to reflect changes within LGPS.	4

Exceptions - Governance



Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
G3. Board/Committee Member Knowledge and Expertise Continued.....	6	6	5. Essex Pension Fund (EPF) use Advisers, e.g. Independent Governance & Administration Adviser (IGAA), to provide relevant information and recommendations. 6. Progress made against the training plans is recorded and monitored. 7. Mechanisms are in place to recruit vacancies as they arise. Elections are monitored by the Compliance Team. 8. Exploration exercise is being carried out with Advisers and Fund Officers to establish aspirations to enable succession planning.	4



Exceptions - Governance

Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
G4. Staff Knowledge and Expertise There is a risk that the failure of Officers to maintain sufficient levels of competence and/or resource to discharge their duties could lead to retention of inefficient staff, therefore, relying on key officers impacting on the wellbeing of staff and a reduced work rate for the Fund	6	6	<ol style="list-style-type: none">1. Essex Pension Fund (EPF) Development Plans are in place through My Performance on the My Learning Portal.2. EPF staff attend training events, engage with peer groups, and work towards the Chartered Institute of Public Finance & Accountancy (CIPFA) Knowledge and Skills Framework as part of the LGPS Online Learning Academy (LOLA). Training offered by LGA that is role specific is also encouraged.3. EPF staff training is recorded and monitored.4. Teams ensure Standing Operating Procedures (SOPs) are produced to cover key processes.5. EPF utilises external consultants and independent Advisers to help in the short term to assist.	3



Exceptions - Governance

Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
G4. Staff Knowledge and Expertise Continued.....	6	6	6. Exploration exercise is being carried out with Advisers and Fund Officers to establish aspirations to enable succession planning.	3



Exceptions - Governance

Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
G13. Cyber Risk Due to cybercrime activities impacting on integrity, there is a risk of inability to carry out day-to-day business functions, which would result in reputational damage and financial loss	12	12	<ol style="list-style-type: none">1. Essex Pension Fund have a Cyber Policy in place and guidance within the Policy is shared with Essex Pension Fund Staff along with the Members of the Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board and the Fund's Advisers.2. Essex Pension Fund have a Business Continuity Policy and Plan in place, which is tested periodically.3. Essex Pension Fund have a Policy for the Recording and Reporting of Breaches of the Law which is linked to the Cyber Policy for the reporting of Cyber related incidents.	4



Exceptions - Governance

Risk Details	15 Dec Rating	Current Rating	Controls / Mitigations	Target Score
G13. Cyber Risk Continued.....	12	12	<ul style="list-style-type: none">4. Mitigations have collated from Essex County Council (ECC) as the Host Authority along with the Fund's third party providers including Advisers and Investments Managers, Global Custodian and ACCESS which are periodically reviewed.5. Fund Officers are in the process of developing third party, Host Authority and Employer questionnaires to ascertain further controls these stakeholders have in place.	4



Exceptions - Governance

Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
<p>G14. Regulatory Changes</p> <p>The Fund may have insufficient resources and inadequate governance arrangements to implement the changes required by LGPS Regulations, and other relevant legislation, including The Pension Regulator's Code of Practice which could lead to the Fund not fulfilling its strategic objectives resulting in financial loss and reputational damage</p> <p>Known changes include: McCloud, Cost Cap, £95k Cap, Goodwin, Academisation, Cost Management Review, SCAPE Rate Changes, GMP Equalisation, Pension Dashboards</p>	9	9	<ol style="list-style-type: none">1. Essex Pension Fund (EPF) and their Advisers are actively involved in the development of the LGPS.2. EPF monitor the current and new regulations and correspondence from Department for Levelling Up, Housing and Communities (DLUHC) and Local Government Association (LGA).3. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds.4. EPF utilise the expertise of their Independent Administration and Governance Adviser (IGAA)5. Additional Resources are requested from the Head of Paid Service to enable the Fund to continue to meet its obligations as and when required.	4

Exceptions - Governance



Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
G14. Regulatory Changes Continued.....	9	9	6. A McCloud project team was set up in 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.	4



Exceptions - Administration

Risk Details	18 Mar Rating	Current Rating	Controls / Mitigations	Target Score
A3. Data Management 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">1. Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out.2. Essex Pension Fund (EPF) ensure the System is tested regularly to ensure compliance with regulations.3. Robust checking and validation of data takes place in calculations and receipt of information from employers.4. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications.5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.	3



Exceptions - Administration

Risk Details	15 Dec Rating	Current Rating	Controls / Mitigations	Target Score
A3. Data Management Continued.....	6	6	<ul style="list-style-type: none">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 required point in time.7. EPF conducts monthly and year-end data cleansing.8. EPF has its own General Ledger on 'My Oracle' separate from ECC.	3