

Essex Pension Fund Board

14:00	Wednesday, 10 December 2014	Committee Room 2, County Hall, Chelmsford, Essex
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Please note that there will be pre-meeting training on Governance and Legislation for all Board Members in Committee Room 2 at 12.30pm. Lunch will be provided.

Quorum: 4

Membership

Councillor R Bass
Councillor S Barker
Councillor K Clempner
Councillor N Hume
Councillor N Le Gresley
Councillor J Whitehouse
Councillor J Archer
Councillor R Woodley
Councillor G Rice
Councillor J Galley
Councillor C Seagers
Mr K Blackburn
Ms J Moore
Mr C Garbett

Representing

Essex County Council (Chairman)
Essex County Council
Essex County Council
Essex County Council
Essex County Council
Essex County Council
Maldon District Council
Southend-on-Sea Borough Council
Thurrock Council
Chelmsford City Council
Essex Fire Authority
Scheme Members
Smaller Employing Bodies
Essex Police and Crime Commissioner

For information about the meeting please ask for:

Ian Myers, Senior Committee Officer

Telephone: 03330 134575

Email: ian.myers@essex.gov.uk



Essex County Council

Essex County Council and Committees Information

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Part 1

(During consideration of these items the meeting is likely to be open to the press and public)

		Pages
1	Apologies for Absence	
2	Declarations of Interest To note any declarations of interest to be made by Members	
3	Minutes	5 - 10
4	Pension Administration software	11 - 14
5	Local Government Pension Scheme Reform	
5a	Structural Reform To receive a verbal update from the Director for Essex Pension Fund on the DCLG Consultation on 'Opportunities for collaboration, cost saving and efficiencies'.	
5b	Governance Working Group	15 - 22
6	Academies	
6a	Academy Forum To receive a verbal update from the Director for Essex Pension Fund on Academy Forum scheduled for 5 December 2014.	
6b	Funding Strategy - Academy employer contributions 2015/16 & 2016/17	23 - 26
7	Charging for late submission of Employer year end returns	27 - 32
8	Update on Pension Fund Activity	33 - 36

8A(i)	2014/15 Business Plan	37 - 46
8A(ii)	Three Year Business Plan	47 - 48
8B	Risk Management - Risk Register	49 - 50
8C	Measurement against Fund Objectives - Scorecard	51 - 72
9	Investment Steering Committee (ISC) Quarterly Report	73 - 76
10	Date of Next Meeting To note that the next meeting will be held on Wednesday 19 January 2015 at 2.00pm in Committee Room 2	
11	Urgent Business To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.	

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

12	Urgent Exempt Business To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.	
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Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm at County Hall, Chelmsford on 17 September 2014

Present:

Member

Essex County Council

Cllr R L Bass (Chairman)

Cllr S Barker

Cllr K Clempner

Cllr N J Hume

Cllr N Le Gresley

Cllr J Whitehouse

District/Borough Councils in Essex

Cllr J Archer Maldon District Council

Unitary Councils

Essex Fire

Authority

Cllr C Seagers

Scheme Members

Smaller

Employing Bodies

J Moore

Police and Crime

Commissioner

C Garbett

The following Members were also present:

Cllr K Bobbin

The following officers and advisers were also present in support:

Samantha	Andrews	Investment Manager Pension Team
Jody	Evans	Head of Essex Pension Fund
Kevin	McDonald	Director for Essex Pension Fund
Barry	Mack	Independent Governance and Administration Adviser (IGAA) (Hymans Robertson LLP)*
Sara	Maxey	Employer Relationship Manager
Matt	Mott	Communications Manager for Essex Pension Fund
Graeme	Muir	Fund Actuary (Barnett Waddingham)*
Ian	Myers	Secretary to the Board
David	Tucker	Employer Liaison Manager

*present for items 1 to 12

1. Apologies for Absence

Apologies for absence were received from Cllr Rice and Keith Blackburn.

2. Declarations of Interest

The Chairman requested Members declare any interests as appropriate.

3. Minutes

Resolved:

That the minutes of the Essex Pension Fund Board held on 9 July 2014 be approved as a correct record and signed by the Chairman.

4. Interim Review

The Board considered a joint report (EPB/23/14) by the Fund Actuary, Director of Essex Pension Fund and Head of Essex Pension Fund.

Members were informed that an interim review is carried out when a full actuarial valuation is not required. Although it is a lighter touch it will identify any significant changes.

Graeme Muir (Barnett Waddingham) updated Members on:

- How the valuation is carried out
- The valuation of the fund as at 31 March 2013
- Activity since that date
- The position as at 31 March 2014
- Future activity

Members noted that it has been a good first intervaluation year, funding levels are ahead of target and that no change in the funding strategy is required

Resolved:

That the report be noted.

5. Local Government Pension Scheme Reform

A Structural Reform

The Board received a verbal update from the Director for Essex Pension Fund on the DCLG Consultation on 'Opportunities for collaboration, cost savings and efficiencies'.

Members were informed a response to the consultation had been made and the outcome awaited. It was agreed that should there be any developments a report would be made to the Investment Steering Committee if appropriate.

B Governance Reform

The Board considered a report (EPB/24/14) by the Director of Essex Pension Fund and the Independent Governance and Administration Adviser concerning the draft regulations on scheme governance.

Members noted the Fund's response to the consultation (as set out in Annex A to the report) together with the implementation timetable.

Membership and terms of reference of the Governance Working Group were also noted. Members agreed that guidance and input from the Board prior to the first meeting of the Working Group would be helpful.

Members also agreed that an implementation 'go-live' date of 1 April 2015 was extremely challenging and that as a result the score for the risk "*Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and/or need to make major changes at short notice*" now exceeds the key residual risk threshold of 6.

Resolved:

That the reports be noted.

6. Update on Pension Fund Activity

The Board considered a joint report (EPB/25/14) by the Director of Essex Pension Fund and Head of Essex Pension Fund.

Members noted in particular the following:

Business Plan

Work on the project has continued and it remains on track. Dual running of the new administration system provided by CIVICA is due to commence in October. Members will be provided with a progress report at the December meeting of the Board.

Risk Register

The one red risk stems from the late issuance of the transitional regulations resulting in a greater reliance on manual calculations until the new system has been fully tested and deployed.

Scorecard

A revision in the Fund's annual investment performance from 8.7% to 9.2% was reported. An amended process has been put in place and the work of the Custodian will be closely monitored.

It was noted that the scores relating to knowledge and expertise were below that desired – the IGAA encouraged Members to avail themselves more of the training and conference sessions on offer. Together with the Director for Essex Pension Fund, the IGAA also offered additional refresher sessions including those relating to the CIPFA knowledge & skills framework.

For the first time since the inception of the Essex Pension Fund Board's scorecard in 2010, all operational measures across a full range of administration activities for the year 2013/14 exceeded target and were rated as green. These reflect turnaround times for all administration processes including the provision of retirement estimates, transfer quotations, pension and lump sum payment notifications.

Resolved:

That the report be noted.

7. Essex Pension Fund 2013/14 Accounts

The Board considered a report (EPB/26/14) by the Executive Director for Corporate Services and Customer Operations which detailed the Pension financial statements for 2013/14.

Resolved:

That the report be noted.

8. External Auditors Report

The Board considered a report (EPB/27/14) by EY, External Auditors of the Essex Pension Fund.

Members were informed there were no matters to bring to their attention.

Resolved:

That the report be noted.

9. Administering Authority Discretions for the 2014 Scheme

The Board considered a report (EPB/28/14) by the Head of Essex Pension Fund.

Members were informed the Policy had been reviewed by the Fund Actuary, Legal Services and the IGAA. Some minor changes had been incorporated into the document but there were no material matters to report.

The Chairman requested that management information in the form of a quarterly analysis and trends be provided in future.

Resolved:

That the report be noted.

10. Investment Steering Committee (ISC) Quarterly Report

The Board considered a report (EPB/29/14) by the Director of the Essex Pension Fund detailing ISC activity since the last Board meeting.

Resolved:

That the report be noted.

11. Date of Next Meeting

The next Board meeting will be held at 2.00pm on Wednesday 10 December 2014 in Committee Room 2, preceded by a Member training session (details to be confirmed)

12. Urgent Business

There was no urgent business.

13. Exclusion of the Press and Public

Resolved:

That, having reached the view that, in each case, the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following item of business on the grounds that they involved the likely disclosure of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

14. Procurement Update

(Exempt under paragraph 3 – information relating to the financial business affairs of a particular person)

The Board considered a report (EPB/30/14) concerning the re-tender of the position of Independent Governance & Administration Adviser.

Resolved:

- (i) That the report be noted
- (ii) That the recommendations concerning the re-tender arrangements be agreed

There being no further business, the meeting closed at 3.25pm.

Chairman

Essex Pension Fund Board	EPB/31/14
Date of issue: 10 December 2014	

Pension Administration software project update

Joint Report by the Director for Essex Pension Fund & Head of Essex Pension Fund

Enquiries to Kevin McDonald on 01245 431301 and Jody Evans on 01245 431700

1. Purpose of the Report

- 1.1 To describe the work undertaken by officers and highlight recent significant developments.
- 1.2 To update the board on the project controls in place.

2. Recommendations

That the Board notes:

- 2.1 the successful “go live” of the new Civica software on 5 November 2014;
- 2.2 the ongoing work undertaken by officers in the project with *Civica*; and
- 2.3 the ongoing work undertaken by officers to implement the plan for the decommission of the previous administration software.

3. Background

- 3.1 At its meeting on 9 December 2013, the Board agreed to the procurement of Civica’s UPM (Universal Pension Management) software for the pension administration function.
- 3.2 Progress on the implementation of this project has been included in the quarterly business plan updates received by the Board in March, July and September 2014.

4. Recent developments – *Civica*

- 4.1 *Civica's* UPM (Universal Pension Management) software was successfully implemented on 5 November 2014 ahead of the 31 December 2014 deadline. Essex Pension Fund was the first of *Civica's* new clients to go live on the UPM standard product.
- 4.2 All LGPS officers are using UPM as the administration software with AXISe (the Fund's original software) now only being able to be accessed by key personnel.
- 4.3 Officers working on the Police and Fire uniformed schemes are using a combination of both systems whilst the final deliveries are made by *Civica*.
- 4.4 Three successful test data cuts were completed prior to the live data migration. All data was migrated successfully from AXISe to UPM.
- 4.5 Prior to the live data migration, three test payroll runs were completed. Each that demonstrated the ability to pay pensioners from the new system.
- 4.6 All stakeholders, including internal audit signed off the decision to go live.
- 4.7 Test files have been submitted for BACS and General Ledger
- 4.8 Officers have worked with *Civica* to enhance the UPM standard product. This has enabled a good working relationship to be formed.
- 4.9 The November pension payroll was run from UPM at the end of that month. With the exception of one pensioner who received a £200 overpayment, the remaining 38,000 beneficiaries all received the correct payment. Action is in hand to rectify the one overpayment.

5. Recent developments – *Aquilaheywood*

- 5.1 *Aquilaheywood* have provided support during our live extraction weekend.
- 5.2 Image extraction is being taken in early December to be delivered to *Civica* prior to 31 December 2014.

- 5.3 Decommission of AXISe has been planned in and all relevant steps taken to reduce the impact of this.

6. Recommendations

- 6.1 The successful “go live” of the new Civica software on 5 November 2014
- 6.2 The ongoing work undertaken by officers in the project with *Civica*;
- 6.3 The ongoing work undertaken by officers to implement the plan for the decommission of the original administration software;

7. Link to Essex Pension Fund objectives

- 7.1 Procurement for the supply, implementation and ongoing support, maintenance and development of new pension administration software links with the following Fund objectives;
- Provide a high quality service whilst maintaining value for money
 - Evolve and look for new opportunities, ensuring efficiency at all times
 - Deliver a high quality, friendly and informative service
 - Data is protected to ensure security and authorised use only
 - Ensure proper administration of financial affairs

8. Risk implications

- 8.1 Migrating to the new administration software created a subset of risks within the area covered by risk A2. These are summarised below.

Objective	Risk Ref:	Description of Risk of not Achieving the Objective	Possible Actions	Residual Impact	Residual Probability	Residual Risk	Risk Owner
Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A2	Unable to deliver a service for Pensions Administrator and Pensioner Payroll because of system failure or unavailability	Business continuity and recovery plans in place including ability to access systems from home.	4	1	4	Kevin McDonald /Jody Evans
Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A2(i)	Delays in award of contract	Ensure all paperwork completed and all deadlines are met in line with project schedule	4	1	4	Kevin McDonald /Jody Evans
	A2(ii)	Contractor does not have the capacity to deliver migration	Timely adoption of framework and adhering to contract requirements	4	1	4	Kevin McDonald /Jody Evans
	A2(iii)	New system not implemented in time	Mutually agreed implementation plan	4	1	4	Kevin McDonald /Jody Evans

9. Communication Implications

- 9.1 Ongoing communication with employers regarding the system change has continued throughout this project. Pensioners have also been notified via notifications within their monthly advice.

10. Finance and Resources Implications

- 10.1 The cost of this project (which is met from the Pension Fund) reported to the Board in December 2013 was £1.266m. To date the project is within budget and is forecast to remain within budget.

11. Background papers

- 11.1 Pension Board 9 December 2013, agenda item 14: Procurement for the supply, maintenance and development of new Pension Administration software.
- 11.2 Quarterly business plan updates for Pension Board meetings on 5 March 2014, 9 July 2014 and 17 September 2014.

Essex Pension Fund Board	EPB/31/14
date: 10 December 2014	

Governance Working Group

Report by the Director for Essex Pension Fund and the Independent Governance & Administration Adviser

Enquiries to Kevin McDonald 01245 431301, Ext: 21301

1. Purpose of the Report

- 1.1 To highlight the matters identified by the Governance Working Group for consideration by the Board.

2. Recommendations

- 2.1 That the Board provides its comments on the Governance Working Group's progress.
- 2.2 Notes the updated outline timetable shown in paragraph 5.3.

3. Background

- 3.1 At its meeting on 9 July 2014, the Board agreed to the formation of a Governance Working Group (GWG) to explore options relating to the revised governance arrangements stemming from the Public Service Pension Act 2013 (PSPA13) and subsequent draft Regulations. The GWG's membership was agreed to be Cllr Barker, Cllr Whitehouse and Jenny Moore.
- 3.2 At its meeting on 17 September 2014, the Board agreed an outline timetable, an extract of which is set out below

Date	Event	Comment
Early November	IGAA produces first "early/initial" report	Report designed for discussion at Governance Working Group (GWG)
19 November 2014	GWG	GWG discuss options and review IGAA "early/initial" report.
10 December 2014	Pension Board	GWG update the Pension Board on progress. Board invited to comment.
19 January 2015	Pension Board <i>(additional meeting)</i>	GWG reports on completion of its work. Board agrees final proposals to be submitted to Council

4. Governance Working Group (GWG): 19 November 2014

- 4.1 The GWG met on Wednesday 19th November 2014 to review the draft report prepared by the IGAA (annex B) and to start considering the matters set out in their agenda (annex A).
- 4.2 The GWG were able to agree the following principles which they would like to suggest to the Board for their comment:

A: *Naming of the various bodies*

- The current EPF Board be renamed as the Essex Pension Fund Strategy Committee (EPFSC)

- The current Investment Steering Committee (ISC) be renamed as the Investment Sub-Committee (ISC);
- The new Local Pension Board be called the Pension Advisory Board (PAB).

B: Remit of the PAB

In principle, the PAB will

- be a 'critical friend' to the EPFSC and ISC;
- and so will be small constitutionally with 'expert' members, co-opting if necessary
- assist the EPFSC (in accordance with the PSPA13) in meeting the EPF's compliance requirements etc.
- provide oversight of decisions made by the EPFSC to ensure that due process has been followed
- look at areas to reduce the workload of the EPSC and allow/enable the EPSC to focus on strategic issues and decision making
- look at areas such as administration performance and communication requirements (the GWG will consider this further at its next meeting)
- review published policies, annual reports etc. (again the GWG will consider this further at its next meeting)
- be considered an integral part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and scheme members;
- have its efficacy reviewed after the first 2 years to determine whether it is meeting the needs of the EPF.

C: Impact on current governance structure and current Scheme of Delegation

In principle, the EPFSC:

- could 'transfer' some of its membership to the PAB to help ensure expertise on the PAB;
- the EPFSC could reduce its membership on the basis that employer and scheme representation would be through the PAB;
- the EPSC then retains the balance of power in favour of Essex County Council (ECC) which given that the ECC as Administering Authority has the ultimate obligation to the EPF would seem the right way to go; and
- focus the EPFSC activities on strategic matters e.g. funding strategy, investment, administration and communication.

D: Constitutional structure of the PAB

To keep the PAB small, expert and effective, the PAB will:

- have 2 employer representatives (ECC plus the rest);
- have 2 scheme member representatives;
- no substitutes;
- initial 2 year term of office in line with initial 2 year review;
- independent chair (* see below); and
- representatives to be appointed through a clear and transparent process but the mechanism itself will be dealt with separately.

* A reciprocal chairing proposal from the Norfolk Pension Fund was highlighted to the GWG. Under this proposal, on an interim basis, the Director for Essex Pension Fund would be required to chair Norfolk's LPB and the Head of the Norfolk Fund would chair the Essex PAB. The GWG agreed that this matter be brought to the Board's attention for their comment.

5. Regulations and guidance

- 5.1 Both the second set of draft Regulations and Guidance were issued for consultation with a deadline of 21 November 2014. The IGAA considered both in the drafting of the report included at Annex B.

6. Next steps

- 6.1 Following comments from the Board meeting on 10 December, the GWG will meet again on 15 December to consider these, to flesh out the remit of the PAB further and to consider in more detail the constitution of the PAB. The GWG will also consider the process to be adopted to appoint the members of the PAB.
- 6.2 The GWG then reports back to the additional meeting of the Board on 19 January 2015. At this point the Board will finalise its formal proposal for consideration by Essex County Council at its meeting on 10 February 2015.
- 6.3 The full timetable is now as set out overleaf.

Date	Event	Comment
19 November 2014	GWG	GWG discuss options and review IGAA “early/initial” report.
10 December 2014	Pension Board	GWG update the Pension Board on progress. Board invited to comment.
15 December 2014	Governance Working Group	GWG consider Board’s comment and develop outline proposal.
Mid December 2014 – Mid January 2015		GWG, IGAA & Fund officers monitor Regulatory situation GWG finalises outline proposal
19 January 2015	Pension Board <i>(additional meeting)</i>	GWG reports on completion of its work. Board agrees final proposals to be submitted to Council
10 February 2015	-	Essex County Council considers the Pension Board’s proposal
Mid February onwards		Process of populating new Local Pension Board commences.

7. Link to Essex Pension Fund Objectives

7.1 Maintaining awareness of current issues with regard to LGPS reform will assist the Board in achieving the following Fund objectives:

- ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- understand and monitor risk and compliance
- to ensure the Fund is properly managed
- compliance with Fund’s governance arrangements.

7.2 Failure to maintain an awareness of current issues with regard to LGPS reform and respond to consultations would mean that the Fund’s views were not taken into account when changes are proposed.

8. Risk Implications

8.1 The Fund's risk register includes the following risk (Ref G1): *"Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and /or need to make major changes at short notice"*.

8.2 The current rating for this risk is as follows:

	Residual Impact	Residual Probability	Residual Risk score	Above key risk threshold (residual risk score of 6)
Current rating	3	3	9	Yes

9. Communication Implications

9.1 Communication with employers/stakeholders will take place at the appropriate stage of the process of forming the new Local Pension Board.

10. Finance and Resources Implications

10.1 The expenses of the new LPB will be met from the Fund.

11. Background Papers

11.1 Fund response to Local Government Pension Scheme (England & Wales) new governance arrangements – discussion paper, September 2013

11.2 Training session on Governance by Independent Governance & Administration Adviser 22 January 2014.

11.3 Item 6C (Draft Regulations on Scheme Governance) from Pension Board agenda 9 July 2014.

11.4 Fund response to DCLG consultation: Draft Regulations on Scheme Governance, August 2014

11.5 Item 5B (LGP) Reform Scheme Governance from Pension Board agenda 17 September 2014



Essex County Council

**Essex Pension Fund
Corporate Services
County Hall
Chelmsford CM1 1LX**

**Telephone (01245) 431301
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Essex Pension Fund Governance Working Group

**Date: 19 November 2014
Time: 3.30pm
Venue: Committee Room 2**

Officer support to the GWG:
Kevin McDonald, Director for Essex Pension Fund
Telephone 01245 431301 (internal ext 21301)
E Mail: kevin.mcdonald@essex.gov.uk

Draft agenda

These documents can be provided on request in the following formats, large print, braille, or on disk. For further information please contact the Director for Essex Pension Fund.

1. Membership of Working Group

To note the Working Group's membership as determined by the Essex Pension Board:

Cllr J. Whitehouse
Cllr S. Barker
J. Moore

2. Apologies for absence

To note the receipt (if any)

3. Introduction

A verbal update from the Director for Essex Pension Fund

4. Setting up a Local Pension Board

To review a draft report by Barry Mack, Independent Governance & Administration Adviser

5. Matters for consideration

At this (or subsequent meetings), the GWG will need to consider the following:

A: determining remit of the Local Pension Board (LPB)

B: the impact of LPB's remit on current governance structure and current Scheme of Delegation

C: the outline Constitutional structure of the LPB

- Membership
- Terms of office
- Quorum & voting rights
- Format, frequency and notice of meetings
- Support & adviser arrangements
- Payment of expenses
- Access to information, reporting and accountability
- Board review process
- Planning for implementation by 1 April 2015

Date of Next meeting: TBC

Essex Pension Fund Board	EPB/33/14
date: 10 December 2014	

Funding Strategy – Academy employer contributions 2015/16 & 2016/17

Report by Director of Essex Pension Fund and Head of Essex Pension Fund

Enquiries to Kevin McDonald on 01245 431301 and Annemarie Allen on 01245 431306

1. Purpose of the Report

- 1.1 To update Members of the Essex Pension Fund Board on the process for the setting of academies' employer contribution rates following the 2013 actuarial valuation.
- 1.2 To recommend to Members the method for setting the academies' employer contribution rates for the remaining two years of the current valuation period.

2. Recommendations

- 2.1 That the employer contributions rates for academies now be set for the next two years as detailed in paragraph 4.4 of this report, continuing the current strategy.

3. Background

- 3.1 Following the 2013 valuation, at the time of setting employer contributions for academies for the three years commencing 1 April 2014, the outcome of the DCLG consultation on academy pooling was awaited.
- 3.2 Pending clarity on the outcome of that consultation, the Board agreed that existing academies would retain their 2013/14 ongoing contribution rates in 2014/2015. This is expressed as a percentage of payroll. They would also pay their annual rate of deficit contributions for 2013/14 increased by 4.5% which is the actuary's long term pay increase assumption. The deficit contributions are expressed as a cash sum.
- 3.3 A separate exercise was to be undertaken with the academies to set contribution rates for 2015/2016 and 2016/2017.

4. Setting academies contribution rates for 2015/16 & 2016/17

- 4.1 While discussions have continued between the Department for Education (DfE) and the DCLG, the outcomes of both the original consultation and a further fact finding consultation have yet to emerge and the eventual solution remains unclear. DCLG officers have indicated in informal discussions that they do not know when the issue will be resolved and an announcement made.
- 4.2 For their financial planning purposes, academies now need to be made aware of the contribution rate that they will be required to pay with effect from 1 April 2015. Given that any significant change to strategy by DCLG resulting in a need to change contribution rates ahead of the 2016 valuation cycle would be likely to require amending legislation to enable valuation certificates to be revisited between valuations, it would appear sensible now to provide academies with intended contribution rates for the two remaining years of this valuation cycle.
- 4.3 The provision of stable employer contribution rates is a key consideration in setting those rates. In addition, given that the direction of the outcome of the consultation remains uncertain, any change in the Fund's approach now may require subsequent unpicking, creating further complications. The Essex Pension Fund currently has some 200 participating academies in the Fund and the alteration of contribution rates represents a significant piece of work.
- 4.4 It is proposed therefore that pending any Government announcement, for the two years commencing 1 April 2015 the current strategy is continued. Academies would continue to pay their 2013/14 ongoing contribution rate and their annual deficit contributions for 2013/14 as increased by 4.5% for each of the years commencing 1 April 2014, 2015 and 2016. A further review of Academy employer contributions will take place as at the 2016 valuation.

- 4.5 This will treat all the 2010 Academies Act academies in a consistent manner and ease the working of any future adjustments required. Special mitigations may be required in the 2016 funding strategy statement for any academies whose underlying performance has moved significantly away from this approach. This will ease where necessary the transition to the approach adopted at the 2016 valuation and allow for affordability and stability issues.
- 4.6 This approach, which is endorsed by the Fund Actuary, arrives at results that in aggregate across all academies are broadly in line with the results of the 2013 valuation.
- 4.7 This approach has also been discussed with the Board's Smaller Employers representative Jenny Moore and the proposal was scheduled to be highlighted at the academy forum held on 5 December. A verbal update will be given at the meeting.
- 4.8 Consequently **it is recommended** that the Essex Pension Board agrees that employer contributions are now set for academies for the two years commencing 1 April 2015 as detailed in paragraph 4.4.

5. Link to Essex Pension Fund Objectives

- 5.1 Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the funding strategy statement
- 5.2 To recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible
- 5.3 To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives

6. Risk Implications

- 6.1 The funding strategy statement contains a requirement to set the contribution rates for academies for the next two years.
- 6.2 There is a risk that waiting for the outcome of the 2013 DCLG consultation on pooling to emerge prior to the setting of employer contribution rates for the two years commencing 1 April 2015 may result in late notification of contribution requirements to academies, affecting their financial planning.

7. Communication Implications

- 7.1 Contribution rates must be communicated to the academies for each of the remaining two years of the current valuation period.
- 7.2 Early communication of the contribution rates will assist academies in their financial planning.

8. Finance and Resources Implications

- 8.1 It is a requirement to set employer contribution rates for all active participating employers. Resources are planned accordingly.
- 8.2 There will be financial implications for the Fund and its participating academy employers as a result of setting the employer contribution rates for the remaining two years of the current valuation period commencing 1 April 2015.

9. Background Papers

- 9.1 5 March 2014 Pension Fund Board Report EPB/01/14 (Funding Strategy Statement and March 2013 Actuarial Valuation Progress)
- 9.2 9 December 2013 Pension Fund Board Report EPB/38/13 (Academy pooling consultation)

Essex Pension Fund Board	EPB/34/14
Date: 10 December 2014	

Charging policy for late submission of end of year data

Report by the Head of the Essex Pension Fund

Enquiries to Jody Evans on 01245 431700

1. Purpose of the Report

- 1.1 To highlight the issues caused by the late submission of end-of-year data by a minority of Fund employers.
- 1.2 To ask the Board to approve a proposed charging policy to address this matter.
- 1.3 To seek the Board's agreement for a review of areas where additional work is being generated by the actions of some employers and whether it is desirable or practical to make a charge in certain circumstances.

2. Recommendations

It is recommended that the Board agree to:

- 2.1 note the issues caused by the late submission of end-of-year data.
- 2.2 approve the proposed policy for charging employers (as set out in paragraph 5.4) for the late submission of end of year data in certain circumstances.
- 2.3 officers, in conjunction with the Independent Governance & Administration Adviser, undertake a review of areas where additional work is being generated by the actions of some employers and bring a further report to a Board meeting for consideration.

3. Background

- 3.1 The end of year process is a very busy period for Fund officers who receive data from over 430 fund employers. The process is not straightforward as the data first has to be checked for consistency and sent back to the employer for correction if the data is not correct.
- 3.2 With the introduction of the new CARE scheme in April 2014, the end-of-year data from employers has taken on even more significance. For 2014/15 onwards, the actual pensionable pay figure provided by the employer as part of the end-of-year return is used to calculate the actual pension accrued by the member for that scheme year.
- 3.3 Furthermore, the Fund has a statutory duty to issue an annual benefit statement to over 49,000 active members by 31 August each year and this leaves a relatively short time to check and upload over 430 end-of-year returns onto the administration system.
- 3.4 The late or non-submission of end-of-year data by employers also delays or prevents the Fund from running HMRC annual allowance calculations for members which are required to ascertain if a member may be liable to a tax charge on their benefit accrual.
- 3.5 Critically, the end-of-year data is necessary for the Actuary to assess liabilities as part of each triennial Valuation.
- 3.6 In order to give time for the checking and uploading of returns, the Fund gives employers a deadline for submitting the return which usually falls during the second half of April.
- 3.7 If an employer either does not send in an end of year return on time or submits an incorrect return then this causes considerable additional work for Fund officers. It also jeopardises the production of an annual benefit statement for that employer's LGPS members.
- 3.8 As part of the 2013/14 end of year process, the Fund notified employers that late and/or incorrect submissions could, in future, be subject to a late submission penalty of up to £250. In spite of this, a significant number of employers (114) did not submit their returns correctly and/or on time.
- 3.9 Three employers had still not submitted a correct return by mid-July and the Fund was, therefore, unable to produce an annual benefit statement for the LGPS members of those employers.
- 3.10 It is imperative that the Fund receives timely and correct end-of-year data from all employers in order that it can calculate a scheme member's correct pension entitlement and reconcile all payments received to ensure these are correct and send out statements when completed.

4. Rationale for a new approach

- 4.1 The late submission of annual data is not a new development, however the benefit structure of the LGPS changed on 1 April 2014 and the importance of timely communication with employers at each Actuarial Valuation is paramount.
- 4.2 Year ending 31 March 2015 is the first under CARE, and so the engagement on new requirements is essential.
- 4.3 The date of the next Actuarial Valuation is 31 March 2016. It is crucial that delays in a Valuation year are avoided.
- 4.4 The rationale for a new approach is that 2014/15 is used to maximise employer engagement in order to:
 - ensure that employers are fully aware of the revised CARE reporting requirements;
 - enable the timely production of annual benefit statements for all active scheme members; and
 - that both the Fund and its employers are strongly positioned to meet the requirements of the 2016 Actuarial Valuation process.

5. Proposed approach & policy

- 5.1 The Fund plans for employer compliance with its deadlines.
- 5.2 Fund officers are always willing to assist employers which engage with the Fund and make a serious effort to comply with deadlines and this will continue.
- 5.3 However, a minority of employers do not engage with the Fund appropriately. This takes the form of either repeatedly submitting inaccurate data or in some cases submitting no return at all. It is these employers the Fund intends to target with the proposed policy so that engagement improves.
- 5.4 It is therefore proposed to introduce a policy whereby it will ultimately impose a charge of £250 on such employers which are unable or unwilling to comply with the Fund's requirements.
- 5.5 The amount of additional work generated by late or inaccurate submission of data will vary from case to case, however the £250 charge is designed to act as an incentive for employers to comply with the Fund's requirements.
- 5.6 The proposed outline timetable is set out overleaf.

Date	Event
January 2015	Initial communication to all employers outlining Year end data submission deadline and the charge that applies if deadlines are not met.
Late February / early March 2015	Follow up communication
Late March / early April 2015	Reminder communication
30 April 2015	Deadline
May 2015	Invoices raised to employers failing to submit data
July 2015	Board scorecard to include measure on the number of defaulting employers, and charges levied.

6. Review of other similar issues

- 6.1 There are a number of other areas where the actions of some employers are causing additional work for Fund officers.
- 6.2 It is recommended that the Board agrees to the officers' intention to review these areas, in conjunction with the Independent Governance & Administration Adviser and consider whether it is desirable or practical to make a charge in certain circumstances. A report will be brought to a subsequent Board meeting.

7. Link to Essex Pension Fund Objectives

- 7.1 Approval of this policy is consistent with the following objectives:
- Provide a high quality service whilst maintaining value for money
 - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
 - Aim for full appreciation of the pension scheme benefits by all scheme members and prospective scheme members
 - Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally

8. Risk Implications

- 8.1 The approval of this policy will help to minimise the risk of scheme members not receiving the correct pension entitlement due to the late or non-submission of correct end of year data by their employer.
- 8.2 Approval of this policy will also help to minimise the risk of scheme members not receiving an annual benefit statement.

9. Communication Implications

- 9.1 Once approved, the policy will be brought to the attention of all Fund employers as highlighted in the timetable at 5.6.

10. Finance and Resources Implications

- 10.1 There are not expected to be any significant finance or resource implications as a result of this Statement of Policy being approved.

11. Background Papers

- 11.1 None

Essex Pension Fund Board	EPB/35/14
Date: 10 December 2014	

Update on Pension Fund Activity

Joint Report by the Director for Essex Pension Fund & Head of Essex Pension Fund
 Enquiries to Kevin McDonald on 01245 431301 and Jody Evans on 01245 431700

1. Purpose of the Report

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

- 2014/15 business plan
- three year business plan
- risk management
- scorecard

2. Recommendations

2.1 That the Board notes:

- progress against the 2014/15 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 2014/15 business plan at Annex A(i);
- the 3 year business plan at Annex A(ii);
- 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:

- Pensions Administration software
- Reform of LGPS (Structural and Governance)
- Funding Strategy for Academies
- ISC Quarterly Report

5. Business Plan 2014/15

5.1 Progress is on track with the business plan shown at Annex A(i). Of the 23 actions for 2014/15:

- six have been completed;
- fourteen are in progress and
- the remaining three are scheduled to commence later this year.

5.2 Introductory meetings have been held for Councillor Woodley on 28 October 2014 and Councillor Galley on 21 November 2014.

5.3 The IGAA procurement has completed. At the Appointment Sub Committee held on 13 October 2014, Councillor Bass, Councillor Hume and Councillor Clempner agreed to the appointment of Barry Mack of Hymans Robertson.

5.4 A workshop for Town and Parish Councils was held in October 2014 mainly covering the requirements of the new CARE pension scheme. As highlighted at item 6a a Forum for Academies was scheduled to be held on 5 December 2014.

6. 3 year Business Plan

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

6.2 In line with the 3 year business plan Administering Authority discretions were reviewed at the September 2014 Board meeting. The Chairman requested that information be provided in the form of a quarterly analysis and trends regarding the discretionary decisions on death grants.

- 6.3 The form and content of this information is being developed within the new UPM (Civica) system and initial information is expected to be available for the Board's meeting in March 2015.

7. Risk Register

- 7.1 There are currently 81 risks in the Fund's risk register of which 12 have a residual score of six or more and are shown at Annex B.
- 7.2 The measurement of one of these risks (A1) has changed from 12 (red) to 9 (amber). This is due to a system update being implemented on AXISe, reducing the reliance on manual calculations. The new UPM (Civica) system also includes 2014 CARE updates.

8. Scorecard

- 8.1 Measure **1.4.3** is now green due to the nomination of Cllr Galley by the Essex Leaders & Chief Executives Group.
- 8.2 The measures **3.6.1** & **3.6.2** reflect the liquidation of Harlow Welfare Rights and Advice. The Fund received notification that with the completion of the liquidation process there would be no dividend to creditors. As previously reported to the Board this resulted in an unrecoverable debt of £95,000 on a least risk basis.

9. Link to Essex Pension Fund Objectives

- 9.1 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

10. Risk Implications

- 10.1 Key risks are identified at Annex B

11. Communication Implications

- 11.1 Other than ongoing reporting to the Board, there are no communications implications.

12. Finance and Resources Implications

- 12.1 The business plan for 2014/15 is challenging and labour intensive and will require significant input by officers and advisers to bring some of the actions to conclusion.

13. Background Papers

- 13.1 None.

Essex Pension Fund Business Plan 2014/15

Governance

Objectives:

- Provide a high quality service whilst maintaining value for money
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk and compliance
- Continually measure and monitor success against our objectives

Actions:

Action	How will this be achieved?	Officer managing action*	Progress as at December 2014
1. Annual business plan will be put in place.	Proposed actions for 2014/15 business plan actions presented to 5 March 2014 Board for approval.	DfEPF & HoEPF	Complete

Action	How will this be achieved?	Officer managing action*	Progress as at December 2014
2. Further roll out of training and training needs assessments	Training & training needs assessments will continue in 2014/15. Specific provision will be made for any new Board Members.	IGAA	In progress - <i>Governance & Legislation</i> training scheduled prior to 10 December 2014 Pension Board meeting. Introductory briefings held for Cllr Woodley 28 October and Cllr Galley on 21 November 2014.
3. Board members' knowledge centre	A web based facility for Members to replace the handbook will be identified and put in place.	HoEPF	In progress - <i>infoBOARD</i> training took place prior to 17 September 2014 Pension Board meeting
4. Annual review of governance policy	Review governance policy to ensure it is relevant and up to date, including the governance compliance statement.	DfEPF, HoEPF & IGAA	A review of governance policy will take place after arrangements for the new Local Pension Board have been finalised.
5. Annual review of Pension Fund Board	Review the effectiveness of the Pension Fund Board and the services supplied to it.	GTM and IGAA	A review of the effectiveness of the Board will take place after arrangements for the new Local Pension Board have been finalised.
6. Procurement of Independent Governance Adviser	The procurement will be completed during 2014/15	DfEPF & HoEPF	Complete At its meeting on 13 October 2014, the Appointment Sub Committee agreed to re appoint Barry Mack of Hymans Robertson in the role of IGAA
7. Implement the requirements of the Public Sector Pension Act 2013	Respond to consultation on draft Governance regulations Agree & implement required changes to Governance arrangements	DfEPF, HoEPF & IGAA	In progress – A separate report appears elsewhere on the 10 December 2014 Board agenda.

Investments

Objectives:

- To maximise the returns from investments within reasonable risk parameters
- To ensure the Fund is properly managed
- Ensure investment issues are communicated appropriately to the Fund's stakeholders

Actions:

Action	How will this be achieved?	Officer managing action*	Progress as at December 2014
8. Review of asset allocation	Review of asset allocation as part of the strategy & structure deliberations at the ISC strategy meetings. July 2014 and February 2015.	DfEPF	In progress Formal annual review took place at 23 July 2014 ISC Strategy meeting. A further review will take place in February 2015.
9. Implement any review of investment allocation arrangement	Implement the decisions taken at the July 2014 ISC strategy meeting.	DfEPF	Complete The illiquid debt mandate appointment has been finalised.
10. To review investment management fees	Ensure that fee monitoring arrangements form part of the annual review of performance.	DfEPF	Complete The review took place at the 23 July 2014 ISC Strategy meeting.

Action	How will this be achieved?	Officer managing action*	Progress as at December 2014
11. Review the Statement of Investment Principles (SIP)	Annual Review of SIP – to include review of Statement of Compliance on Investment Decision Making	DfEPF	In progress The ISC considered a draft revised SIP at its meeting on 26 November. The draft is currently subject to consultation.
12. Procurement of Independent Investment Adviser	The current arrangement ceases in July 2015. The ISC will consider its approach to this matter in 2014/2015	DfEPF	Scheduled to commence in early 2015.
13. Respond to the requirements of LGPS structural reform process	Respond to consultation on draft options for the structure of LGPS in England & Wales Monitor subsequent developments	DfEPF	In progress – A response to the consultation was considered at the July Board prior to submission. A verbal update will be given on this matter under agenda item 5a at the 10 December 2014 Board meeting

Funding

Objectives

- Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the Funding Strategy Statement
- To recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible
- To have consistency between the investment strategy and funding strategy
- To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives
- Maintain liquidity in order to meet projected net cash-flow outgoings
- Minimise unrecoverable debt on termination of employer participation

Actions:

Action	How will this be achieved?	Officer managing action*	Progress as at December 2014
14. Review Funding Strategy Statement	Consideration will be given to whether the Funding Strategy requires review in the light of the results of the Interim Review as at 31 March 2014.	DfEPF and HoEPF	<p>In progress</p> <p>At its September 2014 meeting, the Board considered the results of the 31 March 2014 Interim Review and determined that no change was required.</p> <p>A separate report appears elsewhere on the 10 December 2014 Pension Board agenda re: Academy employer contributions for 2015/16 and 2016/17.</p>
15. Interim Review as at 31 March 2014.	An interim review of the Fund as at 31 March 2014 will be commissioned from the Actuary.	DfEPF and HoEPF	<p>Complete</p> <p>At its September 2104 meeting, the Board considered the results of the 31 March 2014.</p>

Action	How will this be achieved?	Officer managing action*	Progress as at December 2014
16. Employer participation	Employer participation and membership of the Essex Pension Fund will be monitored on an on-going basis	DfEPF and HoEPF	In progress - Monitoring continues

Administration

Objectives:

- Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
- Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount
- Data is protected to ensure security and authorised use only

Actions:

Action	How will this be achieved	Officer managing action*	Progress as at December 2014
17.New 2014 LGPS	Pending outcomes review and put in place a plan to deliver any requirements (e.g. revised processes, systems, etc).	HoEPF	<p>In progress</p> <p>A workshop covering a number of topics, including the revised requirements stemming from the new 2014 CARE scheme, was held in October 2014 for Town & Parish Councils.</p> <p>A similar event for Academies was scheduled for 5 December 2014.</p>
18.Complete the annual end of year data exercise as at 31 March	Complete year end accounting, gather information from employer and update Axise, and produce annual benefit statements.	HoEPF	<p>Complete.</p> <p>Deferred benefit statement were dispatched in June 2014.</p> <p>Active benefit statements were dispatched in August 2014.</p>

Action	How will this be achieved	Officer managing action*	Progress as at December 2014
19. Administration Strategy	The Administration Strategy will be monitored during 2014/15.	HoEPF	In progress Monitoring continues
20. Auto Enrolment – Work based Pensions	Monitor developments and maintain dialogue with Pension Fund employers throughout the process of auto enrolment implementation. (Staggered staging dates apply to all employers – depending on size – between 2012 and 2016)	HoEPF	In progress Monitoring continues
21. Implementation of new administration system	A project plan to be in place to deliver a new system by 31 December 2014	HoEPF	A separate report on the successful go live of the new UPM software appears in a separate agenda item for the Board's meeting on 10 December 2014.

Communications

Objectives:

- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally
- Ensure our communications are simple, relevant and have impact
- Deliver information in a way that suits all types of stakeholder
- Aim for full appreciation of the pension scheme benefits and changes to the scheme by all scheme members, prospective scheme members and employers

Actions:

Action	How will this be achieved?	Officer managing action*	Progress as at December 2014
22.New 2014 LGPS	Pending outcomes, review and put in place a plan to deliver any communication requirements including delivery of key messages	HoEPF	In progress Communications continue during 2014/15
23.Monitor Communications Policy	The communications policy will be monitored during 2014/2015	HoEPF	In progress Monitoring continues

Key:

DfEPF: Director for Essex Pension Fund

HoEPF: Head of Essex Pension Fund

GTM: Governance Team Manager

IGAA: Independent Governance & Administration Adviser

Essex Pension Fund

3 Year Business Plan

April 2014 to March 2017

Area of activity	2014/15	2015/16	2016/17
Governance			
Business plan	March for the following year	March for the following year	March for the following year
Members' knowledge and understanding			
• Prepare & implement training strategy	March (Review)	March (Review)	March
• Training needs assessment (TNA)	Ongoing	Ongoing	Ongoing
Governance review	March	March	March
Effectiveness of Pension Fund Board	March	March	March
Annual Statement of Accounts	July (draft) September (Final)	July (draft) September (Final)	July (draft) September (Final)
Employer Forum(s)	May - March	February	October - March
Review scorecard (risk register)	Quarterly	Quarterly	Quarterly
Review performance	Quarterly	Quarterly	Quarterly
Administering Authority discretions and delegations review	September		
Employing Authority discretions and delegations review	July- March		
Communications policy review	March	March	March

Area of activity	2014/15	2015/16	2016/17
Investment (Steering Committee)			
Strategic asset allocation review	July & February	July & February	July & February
Asset/Liability study			February
Statement of Investment Principles review	July	July	July
Review investment management fees	July	July	July
Individual manager review	Quarterly	Quarterly	Quarterly
Funding			
Funding Strategy Statement	September	September	September
Actuarial Valuation 2013			September - March
Interim funding review	September	September	
Admission/employer participation/bulk transfer policy	Ongoing	Ongoing	Ongoing
Administration			
LGPS reform – planning for administration changes	April (go-live)	Follow up amendments	Ongoing
Review/Procurement of IT System	April onwards	Ongoing	
End of year data exercise	July	July	July
Auto-enrolment / workbased pensions	Rolling Employer staging dates	Rolling Employer staging dates	Rolling Employer staging dates
Communications			
LGPS reform	Ongoing	Ongoing	Ongoing
Implement communications policy	Ongoing	Ongoing	Ongoing
Introduce infoBOARD and develop usage	Ongoing	Ongoing	Ongoing

ANNEX B

Category	Objective	Risk Ref:	Description of Risk of not Achieving the Objective	Residual Impact	Residual Probability	Residual Risk	Previous Risk Score	Risk Owner	Comments, Actions and Recommendations
Governance	Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	G1	Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and/or need to make major changes at short notice. This could occur if Regulations are not timely.	3	3	9	9	Barry Mack	Work with independent governance adviser to identify possible actions and plan accordingly.
Governance	Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	G7	Failure of succession planning for key roles on PFB	3	2	6	6	Ian Myers	The Board's approach to training, where members are working toward compliance with the CIPFA Knowledge & Skills Framework, should help minimise any adverse impacts of failure in succession planning because there should be a greater number of candidates for any position with appropriate knowledge and skills in depth.
Governance	Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times	G12	Insufficient staff causes failure to free up time to look for other best practice areas then opportunities may be missed	2	3	6	9	Kevin McDonald /Jody Evans	The final appointment to the revised officer structure was made in April 2014.
Investments	To maximise the returns from investments within reasonable risk parameters	I1	If investment return is below that assumed by the Actuary in funding the plan this could lead to an increasing deficit and additional contribution requirements. The larger the level of mismatch between assets and liabilities the bigger this risk.	3	3	9	9	Kevin McDonald	Diversified portfolio; Annual Strategy Review; Asset Liability Study, extended recovery periods to smooth contribution increases.
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F2	Markets move at variance with actuarial assumptions resulting in increases in deficits, reduced solvency levels and increased employer contributions	3	3	9	6	Kevin McDonald	Annual interim reviews to enable consideration of the position and the continued appropriateness of the funding/investment strategies and to monitor the exposure to unrewarded risks.
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F7	Mismatch in asset returns and liability movements result in increased employer contributions	3	2	6	6	Kevin McDonald	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.

ANNEX B

Category	Objective	Risk Ref:	Description of Risk of not Achieving the Objective	Residual Impact	Residual Probability	Residual Risk	Previous Risk Score	Risk Owner	Comments, Actions and Recommendations
Funding	Minimise unrecoverable debt on termination of employer participation	F19	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. In the absence of all of these, the shortfall will be attributed to the Fund as a whole with increases being required in all other employers' contributions	3	2	6	6	Kevin McDonald	Assess the strength of individual employer's covenant and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible
Funding	Minimise unrecoverable debt on termination of employer participation	F20	Failure to monitor leading to inappropriate funding strategy and unrecovered debt on cessation of participation in the fund	3	2	6	6	Kevin McDonald	Assess the strength of individual employer's covenant in conjunction with the Actuary and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F21	Employee participation in the Essex LGPS reduces (possibly in response to changes in contribution rate / benefit structure or changes in patterns of service delivery)	3	2	6	9	Kevin McDonald / Jody Evans	Communications with both Employers and Employees over the benefits of the LGPS, both before and after any structural change. In July 2011, following discussion on liquidity and fund maturity, the ISC set a 27% limit on exposure to alternative assets.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A1	Failure to administer scheme in line with Regulations and policies e. g. LGPS Reform – delays in the release of draft Regulations in sufficient detail could impact on the implementation of required system changes and staff training.	3	3	9	12	Jody Evans	Since the last meeting of the Board a system update on AXISE has been implemented. This has reduced the reliance on manual calculations that had previously given rise to a residual score of 12. The new UPM Civica system also includes this update.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A6	Lack or reduction of skilled resources. Significant increase in the number of employing bodies e.g. academies.	3	3	9	9	Kevin McDonald / Jody Evans	Continually monitor staffing position. Continually monitor the impact of the volume of employers admitted to the Fund.
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A17	Failure to administer scheme in line with Regulations and policies - Brewster test case in Northern Ireland pave way for retrospective action re: surviving co-habiting partners with no	3	2	6	6	Jody Evans	In the event of revised LGPS Regulations on nomination arrangements for surviving co-habiting partners' pensions, a case by case review will be conducted.

Essex Pension Fund Scorecard - 10 DECEMBER 2014

Guidance: Measures are grouped around key objectives identified by the Board. For some objectives there are several indicators monitoring progress. The number of measures which are red, amber and green for each objective are displayed on the scorecard. Details of individual measures, including performance, targets, contextual commentary, definition and scope are given in the attached drill down pack.

1. GOVERNANCE

- 1.1 - Provide a high quality service whilst maintaining value for money
- 1.2 - Ensure the Pension Fund is managed by people who have the appropriate knowledge and expertise
- 1.3 - Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times. Continually measure and monitor success against our objectives.
- 1.4 - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- 1.5 - Understand and monitor risk and compliance

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2. INVESTMENTS

- 2.1 - Maximise returns from investments within reasonable risk parameters
- 2.2 - Ensure the Pension Fund is properly managed (ISC attendance, skills and governance arrangements)
- 2.3 - Ensure investment issues are communicated appropriately to the Fund's stakeholders

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3. FUNDING

- 3.1 - Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters and Funding Strategy timescales
- 3.2 - To recognise in drawing up its Funding Strategy, the desirability of employer contributions that are as stable as possible
- 3.3 - To have consistency between Investment and Funding strategies
- 3.4 - To manage employers liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives.
- 3.5 - Maintain liquidity in order to meet projected net cash flow outgoings
- 3.6 - Minimise unrecoverable debt on termination of employer participation

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4. ADMINISTRATION

- 4.1 - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.
- 4.2 - Data is protected to ensure security and authorised use only
- 4.3 - Ensure proper administration of financial affairs
- 4.4 - Compliance with Fund's governance arrangements

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5. COMMUNICATIONS

- 5.1 - Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.
- 5.2 - Ensure our communications are simple, relevant and have impact and deliver information in a way that suits all types of stakeholder.
- 5.3 - Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members and employers.

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Key

G

= on or exceeding target

Gy

= data not currently available / work in progress

A

= missing target but within agreed tolerance

R

= missing target by more than agreed tolerance

1.1 - Provide a high quality service whilst maintaining value for money

Measure Purpose: To provide a high quality service whilst maintaining value for money

Scope: Cost, scheme member satisfaction and scheme member complaints and compliments

Measure Owner: Jody Evans

Data lead: David Tucker/Matt Mott

Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.1.1 Cost per scheme member	2nd	quartile	G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Aug)
1.1.2 Number of scheme member complaints	2		G	G	5	20	Low	Quarterly
1.1.3 Number of scheme member compliments	27		G	G	15	60	High	Quarterly
1.1.4 Scheme member survey - % of positive answers	96.4%	%	G	G	95%	95%	High	Annual (Mar)
1.1.5 Employer survey - % of positive answers	97.3%	%	G	G	95%	95%	High	Annual (Mar)

Rationale for performance status and trend

1.1.1. Cost per member was £17.81 in 2013/14 (£17.80 in 2012/13) compared to the CIPFA Benchmarking average of £20.75 (£20.87 in 2012/13). This Fund remains in the second quartile.

1.1.2. The number of complaints received in the 3 months to 30 September 2014 was 2 (Previous quarter 3)

1.1.3. The number of compliments received in the 3 months to 30 September 2014 was 27. (Previous quarter 22)

1.1.4. 500 scheme members (employees) were invited to participate in a five question survey conducted in November 2013. 118 members returned completed survey's resulting in a total of 810 answers. Of which 29 were negative responses. The remainder 781 (96.4%) were positive. The 2012 scheme member survey was 97.3% positive.

1.1.5. 378 employers were invited to participate in a 10 question survey conducted in November 2013. Of 112 responses 3 were negative which resulted in a 97.3% positive response rate. The 2012 employer survey was 97.7% positive.

1.2 - Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise

Measure Purpose: To ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise

Scope: Training needs analysis, attendance of training. Progress against training plans and My Performance objectives.

Measure Owner: Kevin McDonald

Data lead: Ian Myers/Jody Evans/Barry Mack

Status

	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity	Frequency
1.2.1 Board Member attendance at training	63%	%	A	A	80%	80%	High	Quarterly
1.2.2 Board Members completing training needs analysis (TNA)	61%	%	R	R	90%	90%	High	Quarterly
1.2.3 Board Members with adequate skills - average scores for comprehensive training need analysis (TNA)	36%	%	R	R	65%	65%	High	Quarterly
1.2.4 Board Member attendance at Board meetings	73%	%	A	A	80%	80%	High	Quarterly
1.2.5 Officer training plans and My performance Objectives in place	100	%	G	G	100%	100%	High	Annual (May)

Rationale for performance status and trend

1.2.1. This measure reflects attendance by Board Members at training prior to the September 2013, December 2013, March 2014 and July 2014 Board meetings. In addition, it also includes the standalone governance training session on 22 January 2014 and ISC members attendance at the Baillie Gifford Investment Conference in October 2013.

1.2.2. This represents the completion rate of TNA by board members (last quarter 55%).

1.2.3. This represents the score of the completed TNA forms (last quarter 29%).

1.2.4. This represents attendance at Board meetings in December 2013, March 2014, July 2014 and September 2014 Board meetings.

1.2.5. My Performance objectives have been agreed for all Pension Administration & Pension Investment officers. Senior officers are also undertaking the TNA, and measures are being developed.

1.3 - Evolve and look for new opportunities, ensuring efficiency at all times

Measure Purpose: To evolve and look for new opportunities, ensuring efficiency at all times

Scope: Actions listed in Business Plan

Measure Owner: Kevin McDonald & Jody Evans

Data lead: Kevin McDonald & Jody Evans

Status	Value	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.3.1 Fund Business Plan quarterly review - actions on track	26% Complete 61% in progress 13% yet to start	A	A	50% Complete, 30% in progress	100% complete	High	Quarterly
<div>1.3.1 Against a total of 23 actions or projects for the year:<div>6 (26%) complete 14 (61%) in progress 3 (13%) scheduled to commence later in the year</div><div>The business plan is detailed in Annex A of this report.</div></div>							

1.5 - Understand and monitor risk and compliance

Measure Purpose: Understand and monitor risk and compliance

Scope: On-going reporting and discussion of key risks to the Fund. Output from internal audit reviews.

Measure Owner: Kevin McDonald & Jody Evans

Data lead: Kevin McDonald & Jody Evans

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.5.1 Number of internal audit reviews finding limited/no assurance	0		G	G	0	0	Low	On-going
1.5.2 Number of internal audit recommendations outstanding	0		G	G	0	N/A	Low	On-going
1.5.3 Percentage of risks on the risk register with a residual score that is classified as amber	15	%	G	G	<20%	<20%	High	Quarterly
1.5.4 Percentage of risks on the risk register with a residual score that is classified as red	0	%	R	G	0%	0%	High	Quarterly
1.5.5 Number of matters raised by external auditors relating to Pensions Services	0		G	G	0	N/A	Low	Annually (Sep)

Rationale for performance status and trend

1.5.1 This includes all internal audits conducted in the last 12 months. The 2013/14 internal audit reports for both Pensions Administration and Pensions Investment received full assurance.

1.5.2 The 2013/14 internal audit reports for both Pensions Administration and Pensions Investment contained a total of two "advice & best practice" recommendations, which have been completed.

1.5.3 The Fund currently has 81 risks in its register, of which 12 have a residual score that is classified as amber. (11 in September). Full details are at Annex B to this report. Measurement: below 20% = green; between 20%-25% = amber; above 25% = red

1.5.4 The Fund currently has 81 risks in its register, none of which have a residual score that is classified as red. (1 in September). Measurement: 0% = green; under 2% = amber; above 2% = red

1.5.5 There are no recommendations for Members to note in the 2013/14 Annual Results Report from EY.

2.1 - Maximise returns from investments within reasonable risk parameters

Data as at: 31 March 2014

Measure Purpose: To maximise the returns from investments within reasonable risk parameters

Scope: All investments made by Pensions Fund: asset returns, liquidity and volatility risk

Measure Owner: Kevin McDonald

Data lead: Samantha Andrews

Status

	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity
2.1.1 Annual return compared to Peer Group	1st	ranking	A	G	1st	1st	High
2.1.2 Annual Return compared to Benchmark	9.2	%	G	R	9.5%	9.5%	High
2.1.3 Five year (annualised) return compared to Benchmark	13.2	%	G	G	12.0%	12.0%	High
2.1.4 Five year (annualised) return compared to central expected return of current investment strategy	13.2	%	G	G	6.1%	6.1%	High

Rationale for performance status and trend

2.1.1. With an annual return of 9.2% Essex had the highest return out of the peer group of Essex, Norfolk, Suffolk, Bedfordshire, Cambridgeshire & Kent. The lowest return within the peer group was 4.9%

2.1.2 The annual return of 9.2% was below the benchmark.

2.1.3 The five year return of 13.2% was above the benchmark.

2.1.4 The five year return of 13.2% was above the central expected return of the current investment strategy.

2.2 - Ensure the Fund is properly managed

Measure Purpose: To ensure that the Fund is properly managed
Scope: Attendance at ISC and ISC member skills and knowledge
Measure Owner: Kevin McDonald **Data lead:** Samantha Andrews & Barry Mack

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
2.2.1 ISC Member attendance at ISC meetings	88	%	G	G	80%	80%	High	On-going
2.2.2 ISC Members completing training needs analysis (TNA)	87	%	A	A	90%	90%	High	Quarterly
2.2.3 ISC Members with adequate skills - average scores for comprehensive training need analysis (TNA)	48	%	R	A	65%	65%	High	Quarterly

Rationale for performance status and trend

2.2.1 . This represents attendance at ISC meetings in February 2014 , March 2014 , June 2014, July 2014 and November 2014.

2.2.2 . This represents the completion rate of TNA by ISC members. (72% in previous quarter)

2.2.3. This represent the score of the completed TNA forms. (38% in previous quarter)

2.3 - Ensure investment issues are communicated appropriately to the Fund's stakeholders

Measure Purpose: To ensure all significant Fund investment issues are communicated properly to all interested parties

Scope: Publication of meeting minutes and agendas, communication governance arrangements agreed by Board and ISC

Measure Owner: Kevin McDonald

Data lead: Kevin McDonald

Status

	Value	Units	Previous status	Current status	Target	Annual target	Frequency
2.3.1 % of ISC agendas sent out 5 working days before meetings	100	%	G	G	100%	High	Quarterly
2.3.2 % of ISC committee items sent out 5 working days before meetings	100	%	G	G	100%	High	Quarterly
2.3.3 % of draft ISC minutes sent out 7 working days after meetings	100	%	G	G	100%	High	Quarterly
2.3.4 % of draft ISC minutes uploaded to internet 12 working days after meetings	0	%	G	G	100%	High	Quarterly
2.3.5 Number of communication and governance arrangements for the ISC not in place	0		G	G	0	High	On-going

Rationale for performance status and trend

2.3.5 Measure will flag as red if one of the following communications arrangements is not in place:

- ISC Terms of Reference in place and noted at the beginning of the municipal year
- Pension Fund Business Plan in place and renewed at the beginning of the financial year
- SIP to be reviewed and published annually
- Annual Report & Accounts published by 30 November
- One independent adviser and one institutional investment consultant attended or were available to attend the last ISC meeting
- Briefing report provided to EPFB on the matters dealt with at the preceding ISC meeting
- Complete management information including asset values and returns made available for consideration at last ISC meeting

All arrangements are in place.

3.1 - Achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters and Funding Strategy timescales

Data as at: February 2014

Measure Purposes: To achieve and then maintain assets equal to 100% of liabilities within reasonable risk parameters.

Scope: Sources of funding: employer contributions and investments

Measure Owner: Kevin McDonald

Data leads: Kevin McDonald

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.1.1 Probability of hitting funding target	61	%	G	G	50%	50%	High	Three yearly

Rationale for performance status and trend

3.1.1 . Following the Actuarial Valuation, an asset liability study was undertaken by the Fund's Institutional Investment Consultants , Hymans Robertson. This was to be considered by the Investment Steering Committee at its meeting on 24 February 2014.

Based on the assumptions and methodology in the investment consultant’s long term stochastic projection model, they have reported that the probability of being fully funded in 21 years’ time is 61%

3.2 - To recognise in drawing up its Funding Strategy the desirability of employer contributions that are as stable as possible

Measure Purposes: To recognise the desirability of employer contributions that are as stable as possible

Scope: Fund Employers

Measure Owner: Kevin McDonald

Data lead: Sara Maxey

Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.2.1 Stability mechanisms are included within the current Funding Strategy	Yes		G	G	Yes	Yes	High	3 yearly
3.2.2 Each of the 17 major precept raising bodies are were offered contributions which increased by no more than 1% per year or 3% per valuation.	Yes		G	G	Yes	Yes	High	3 yearly

Rationale for performance status and trend

3.2.1 The Funding Strategy Statement is reviewed at least every three years as part of the Valuation process to include suitable stability mechanisms.

3.2.2 During consultation on the 2013/14 Funding Strategy, each of the 17 major presenting bodies were offered five options for employer contributions. These included an option which would increase employer contributions by no more than 1% (of pensionable pay) in the first year and 3% (of pensionable pay) over the three year Valuation cycle. The 17 major precepting bodies are listed below:

Essex County Council
 Basildon District Council
 Braintree District Council
 Brentwood Borough Council
 Castle Point District Council
 Chelmsford City Council
 Colchester Borough Council
 Epping Forest District Council
 Harlow District Council
 Maldon District Council
 Rochford District Council
 Southend-on-Sea Borough Council
 Tendring District Council
 Thurrock Borough Council
 Uttlesford District Council
 Essex Police Authority
 Essex Fire Authority

3.3 - Consistency between the Investment and Funding strategies

Measure Purpose: To have consistency between the investment strategy and funding strategy

Scope: Long term investment return assumed by funding strategy and average expected return on investment portfolio

Measure Owner: Kevin McDonald

Data leads: Samantha Andrews

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.3.1 Expected return of investment strategy	6.1	%	G	G	5.8%	5.8%	High	Annual
3.3.2 Investment strategy reviewed after Asset Liability Study	Yes		G	G	Yes	Yes	Yes	3 yearly

Rationale for performance status and trend

3.3.1 Long term return assumed by Funding Strategy

For the 2013 Valuation the Fund Actuary's assumption for investment return was 5.8%

Included within the draft Statement of Investment Principles approved by the ISC on 27 March 2013 was a central expectation, from the end December 2012, for the absolute return on the Fund assets of 6.1% p.a.

3.3.2 Investment Strategy reviewed

This measure highlights that the ISC on 24 February 2014 reviewed the Investment Strategy and its consistency with the Funding Strategy as part of its consideration of the Asset Liability Study, conducted by Hymans Robertson after the 2013 Actuarial Valuation.

3.4 - Manage employers’ liabilities effectively

Measure Purpose: To manage employers’ liabilities effectively by the adoption of employer specific funding objectives

Scope: All employers contributing to the scheme

Measure Owner: Kevin McDonald

Data leads: Sara Maxey

Status								
	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.4.1 Does the Funding Strategy incorporate different funding objectives for different groups of employers ?	Yes	%	G	G	Yes	Yes	High	3 Yearly

Rationale for performance status and trend

3.4.1 The draft Funding Strategy, agreed by the Board in September 2013 included different funding objectives for different groups of employers. This was also the case for the Funding Strategy that accompanied the previous Actuarial Valuation in 2010.

3.5 - Maintain liquidity in order to meet projected net cash flow outgoings

Measure Purpose: Maintain liquidity in order to meet projected net cash-flow outgoings
Measure Owner: Kevin McDonald Data lead: Kevin McDonald

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.5.1 Contribution income adequate to meet benefit payments.	Yes		A	A	Yes	Yes	High	On-going

Rationale for performance status and trend

3.5.1 This measure captures the most recent comparison of fund income (excluding investment income) and fund expenditure. Fund expenditure is currently forecast to exceed fund income (excluding investment income) in 2015/16. In that instance investment income would be used to fund part of the payment of Fund benefits.

Score criteria is based on the contribution income adequate to meet benefit payments for the following time periods

Green = more than two years
Amber = between one and two years
Red = less than one year

Cash flow continues to be monitored.

3.6 - Minimise unrecoverable debt on termination of employer participation

Measure Purpose: To highlight unrecoverable, or potentially unrecoverable, deficit due to employers leaving the Fund

Scope: All employers contributing to the scheme

Measure Owner: Kevin McDonald

Data leads: Sara Maxey

Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.6.1 Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.000	%	A	G	0.00%	0.00%	Low	Quarterly
3.6.2 Deficit unrecoverable due to employers leaving scheme (as a proportion of Total Fund deficit)	0.010	%	G	A	0.00%	0.00%	Low	Quarterly

Rationale for performance status and trend

3.6.1 Scoring:

0% = Green.
Below 0.02%(£250,000) = Amber.
Above 0.02% = Red

As previously reported to the Board, the Fund has been notified that an admitted body, Harlow Welfare Rights & Advice (HWRA) has been placed into liquidation. The Actuary's calculation of the termination deficit on a least risk basis was £95,000. Since the last Board meeting the Fund has been notified that the liquidation process has completed, and there are insufficient funds to pay a dividend to creditors. As a consequence, this deficit is no longer classified under this measure for potential unrecoverable amounts. It is now classified in the measure below.

3.6.2 Scoring:

0% = Green.
Below 0.02%(£250,000) = Amber.
Above 0.02% = Red

As highlighted above, the Fund has now received confirmation that the liquidation of Harlow Welfare Rights & Advice (HWRA) has completed with no dividend to creditors. This results in an unrecoverable deficit of £95,000 on a least risk basis.

The Fund's total deficit as at 31 March 2013 Actuarial Valuation was £953m.

4.1 - Deliver a high quality, friendly and informative service

Measure Purpose: Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need

Scope: Communication and administration turnaround times, scheme member appeals, payment errors

Measure Owner: Jody Evans

Data lead: David Tucker/Joel Ellner/Daniel Chessell/Matt Mott

Status	Value	Units	Previous status	Current status	Target	CIPFA Average	Polarity	Frequency
4.1.1 Letter detailing transfer in quote issued within 10 working days (375 cases)	96.3%	%	A	G	95.0%	89.5%	High	Annual (Aug)
4.1.2 Letter detailing transfer out quote issued within 10 working days (494 cases)	97.8%	%	A	G	95.0%	92.1%	High	Annual (Aug)
4.1.3 Letter detailing process of refund and payment made within 5 working days (237 cases)	95.3%	%	A	G	95.0%	87.1%	High	Annual (Aug)
4.1.4 Letter notifying estimated retirement benefit amount within 10 working days (2760 cases)	97.3%	%	G	G	95.0%	90.8%	High	Annual (Aug)
4.1.5 Letter notifying actual retirement benefits and payment made of lump sum retirement grant within 5 working days (1887 cases)	96.3%	%	G	G	95.0%	92.5%	High	Annual (Aug)
4.1.6 Letter acknowledging death of active /deferred / pensioner member within 5 working days (962 cases)	99.5%	%	G	G	95.0%	90.9%	High	Annual (Aug)
4.1.7 Letter notifying the amount of dependent's benefits within 5 working days (962 cases)	95.7%	%	G	G	95.0%	91.3%	High	Annual (Aug)
4.1.8 Calculate and notify deferred benefits within 10 working days (5860 cases)	98.3%	%	R	G	95.0%	76.4%	High	Annual (Aug)
4.1.9 Annual benefit statements issued to active members by 30 September.	Yes		G	G	Yes	N/A	High	Annual (Sep)
4.1.10 Annual benefit statements issued to deferred members by 30 June.	Yes		G	G	Yes	N/A	High	Annual (Jun)
4.1.11 Number of payments errors	2	number	G	G	<9	N/A	Low	Quarterly
4.1.12 New IDRP appeals during the year	2		G	G	Below CIPFA average	Pending	Low	Annual (Aug)
4.1.13 IDRP appeals - number of lost cases	0		G	G	Below CIPFA average	Pending	Low	Annual (Aug)
4.1.14 Employer survey - feedback on training and educational materials - % of positive responses	99.1%		G	G	95.0%	N/A	Low	Annual (Mar)

4.1.1 - 4.1.8 The Fund is aiming for a target of 95%. Above 95% = green, above 85% = amber, below 85% equals red. It should be noted that the Fund already compares favourably with other funds and is aiming even higher.

4.1.1 & 4.1.2 Despite the number of cases increasing from 679 to 869, turnaround times have improved significantly from 90.4% and 90.0% respectively to 96.3% and 97.8% respectively, well above the CIPFA Benchmarking average.

4.1.3 Turnaround times for processing and paying of refunds improved significantly from 85.8% (2012/13) to 95.3% (2013/14).

4.1.4 There was a significant drop in the number of estimates of retirement benefits processed during 2013/14. and this has enabled the turnaround times to improve still further from 95.7% (2012/12) to 97.3% (2013/14).

4.1.8 The introduction of a new procedure from 1 April 2013 has helped to significantly improve turnaround times from 83.3% (2012/13) to 98.3% (2013/14), despite an increase in the number of cases from 4908 (2012/13) to 5860 (2013/14).

4.1.9 The 2013/14 Annual benefits statements for Active members were dispatched in late August 2014. The previous dispatch was in August 2013.

4.1.10 The last dispatch of these statements to Deferred members was in June 2014. The previous dispatch was in June 2013

4.1.11 Measure captures the number of errors made by Pensioner Payroll which have resulted in scheme members being paid the wrong amount. During last 3 months, 2 payments errors to scheme members. Quarterly target Green = <9; Amber = <16, Red = >16.

4.1.14 In November 2013 an employer survey was issued, 378 employers were invited to participate and 112 responses were received when asked about feedback on training materials and educational materials. Only one negative response was received resulting in a 99.1% positive response. In 2012 the result showed a 95.3% positive response. 116 survey responses that were received 4 respondents chose not to answer this question.

4.2 - Data is protected to ensure security and authorised use only

Measure Purpose: Data is protected to ensure security and authorised use only

Scope: All service area budgets within the directorate

Measure Owner: Kevin McDonald

Data lead: Jody Evans

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
4.2.1 Number of information security breaches	0		G	G	0	0	Low	Quarterly
4.2.2 Actions in place for all breaches	0		G	G	Actions in place for all	Actions in place for all	N/A	Quarterly

Rationale for performance status and trend
<p>4.2.1 There were no breaches this quarter.</p> <p>Green = 0 breaches Amber = 1 or more medium or minor breaches Red = 1 or more major or critical breaches</p> <p>4.2.2 There were no required actions this quarter.</p>

4.3 - Ensure proper administration of financial affairs

Measure Purpose: To ensure proper administration of the Fund's financial affairs

Scope: Investments and Contributions

Measure Owner: Kevin McDonald

Data leads: Samantha Andrews & Sara Maxey

Status	Value	Units	Previous status	Current status	Current target	Annual target	Polarity	Frequency
4.3.1 % of monthly reconciliations of equity and bond investment mandates which are timely	63	%	G	R	75%	100%	High	Quarterly
4.3.2 % of contributing employers submitting timely payments	97.8	%	A	A	100%	100%	High	Quarterly

Rationale for performance status and trend

4.3.1 Given the concentration on closure tasks during the June quarter, the September quarter represents the first period during which the Investment Team concentrates on in-year reconciliations. Following a re-allocation of workload, the Team 's completion rate was 63% compared to a target of 75%. The score for the quarter is therefore red.

The target for the next quarter (ending December) is 100%.

4.3.2 For the quarter ending September 2014 the performance was amber as payments from **97.8%** of the 468 contributing employers were received within the month they fell due. In cash terms this equated to **99.8%** of a total employer contribution of £39.8m.

4.4 - Compliance with the Fund's governance arrangements

Measure Purpose: To ensure compliance with the Fund’s governance arrangements agreed by the Council
Scope: Publication of Essex Pensions Funding Board agendas and minutes. Governance arrangements agreed by Board
Measure Owner: Ian Myers/Jody Evans/Kevin McDonald **Data lead:** Ian Myers/Jody Evans/Kevin McDonald

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
4.4.1 % of Board agendas sent out 5 working days before meetings	100	%	G	G	100%	100%	High	Quarterly
4.4.2 % of Board items sent out 5 working days before meetings	100	%	G	G	100%	100%	High	Quarterly
4.4.3 % of draft Board minutes sent out 7 working days after meetings	100	%	G	G	100%	100%	High	Quarterly
4.4.4 % of Board minutes uploaded to internet 12 working days after meetings	100	%	G	G	100%	100%	High	Quarterly
4.4.5 Compliance with governance arrangements - number of governance arrangements not in place	0	number	G	G	0	0	High	On-going

Rationale for performance status and trend

4.4.2 Papers for the September Board were sent out on time.

4.4.5 Measure will flag as red if one of the following governance arrangements is not in place:

- An Employer Forum has taken place during the last year - Fund is compliant
- The last Employer Forum received reports and representation from the ISC and EPFB - Fund is compliant

NB: Compliance with Board Membership arrangements is covered at measure 1.4.4

5.1 - Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.

Measure Purpose: Communicate in a friendly, expert and direct way to our stakeholders, treating all our stake holders equally.
Scope: All scheme members and employers
Measure Owner: David Tucker **Data lead:** Matt Mott

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.1.1. % of positive responses from the scheme member survey. - <i>Helpfulness of the Pensions Teams.</i>	99.1	%	G	G	95%	95%	High	Annual (Mar)
5.1.2. % of positive responses from the Employer Survey. - <i>Expertness of Pensions Teams.</i>	99.1	%	G	G	95%	95%	High	Annual (Mar)
5.1.3. % of positive responses from the Employer Survey. - <i>Pensions Teams are friendly and Informative.</i>	100	%	G	G	90%	90%	High	Annual (Mar)
5.1.4. A Communication Plan is in place for the current year.			Gy	Gy	Yes	Yes	High	Annual (Sep)

Rationale for performance status and trend

5.1.1 In November 2013 a scheme member survey was issued, 500 scheme members were invited to participate and 111 responses were received to the question to ‘How would you rate the Essex Pension Fund on helpfulness of staff?’. Only one negative response was received resulting in a 99.1% positive response. In 2012 the result showed a 100% positive response. 118 survey responses that were received 7 respondents chose not to answer this question

5.1.2 In November 2013 an employer survey was issued, 378 employers were invited to participate and 110 responses were received to the question to ‘How would you rate Essex Pension Fund staff on their level of expertise?’. Only one negative response was received resulting in a 99.1% positive response. In 2012 the result showed a 100% positive response. 116 survey responses that were received 6 respondents chose not to answer this question.

5.1.3 In November 2013 an employer survey was issued, 378 employers were invited to participate and 111 responses were received to the question to ‘How would you rate Essex Pension Fund staff on being friendly and informative?’. No negative response was received resulting in a 100% positive response. In 2012 the result showed a 100% positive response. 116 survey responses that were received 5 respondents chose not to answer this question.

5.1.4 The existing Communication Plan will be reviewed after the new administration system goes live.

5.2 - Ensure our communications are simple, relevant and have impact. To deliver information in a way that suits all types of stakeholder

Measure Purpose: Ensure our communications are simple, relevant and have impact. To deliver information in a way that suits all types of stakeholder

Scope: All Scheme members and employers

Measure Owner: David Tucker

Data lead: Matt Mott

Status								
	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.2.1. % of positive responses from the Scheme member Survey - <i>Clarity of website information.</i>	97.1%	%	G	G	95.0%	95.0%	High	Annual (Mar)
5.2.2. % of positive responses from the Scheme Member Survey - <i>Understandable Annual Benefit Statements.</i>	82.0%	%	A	A	95.0%	95.0%	High	Annual (Mar)
5.2.3. % of positive responses from the Scheme Member Survey - <i>Communications that suit needs, easy to understand and relevant.</i>	99.1%	%	A	G	95.0%	95.0%	High	Annual (Mar)
5.2.4. % of positive responses from the Employer Survey - <i>Clarity of Website information.</i>	92.4%	%	G	A	95.0%	95.0%	High	Annual (Mar)
5.2.5. Increase in response of the Scheme Member Survey compared to last year.	43.9%	%	G	G	Increase	Increase	High	Annual (Mar)
5.2.6. Increase in response rate of the Employer Survey compared to last year.	169.8%	%	G	G	Increase	Increase	High	Annual (Mar)

5.2.1 - In November 2013 a scheme member survey was issued, 500 scheme members were invited to participate and 68 responses were received to the question to 'How clear is the information available on the Essex Pension Fund website?'. Only two negative response was received resulting in a 97.1% positive response. In 2012 the result showed a 95.1% positive response. 118 survey responses that were received 50 respondents chose not to answer this question.

5.2.2 - In November 2013 a scheme member survey was issued, 500 scheme members were invited to participate and 111 responses were received to the question to 'How easy was the information in your annual benefit statement to understand?'. 20 negative response was received resulting in a 82% positive response. In 2012 the result showed a 86.6% positive response. 118 survey responses that were received 7 respondents chose not to answer this question.

5.2.3 - In November 2013 a scheme member survey was issued, 500 scheme members were invited to participate and 114 responses were received. Only one negative response was received resulting in a 99.1% positive response. In 2012 the result showed a 91.4% positive response. 118 survey responses that were received 4 respondents chose not to answer this question.

5.2.4 - In November 2013 an employer survey was issued, 378 employers were invited to participate and 105 responses were received to the question to 'How clear is the information available on the Essex Pension Fund website?'. Eight negative responses was received resulting in a 92.4% positive response. In 2012 the result showed a 95.3% positive response. 116 survey responses that were received 11 respondents chose not to answer this question.

5.2.5 - In November 2013 a scheme member survey was issued, 500 scheme members were invited to participate and 118 responses were received. In 2012 82 responses were received. This is an increase in respondents of 36 (43.9%).

5.2.6 - In November 2013 an employer survey was issued, 378 scheme members were invited to participate and 116 responses were received. In 2012 43 responses were received. This is an increase in respondents of 73 (169.8%).

5.3 - Aim for a full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members and employers

Measure Purpose: Aim for a full appreciation of the pension scheme benefits and changes to the Scheme by all scheme members, prospective scheme members

Scope: All scheme members and employers

Measure Owner: David Tucker Data lead: Matt Mott

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
5.3.1. % of opt outs is within reasonable parameters		%	Gy	Gy	0.10%	0.10%	N/A	Quarterly
5.3.2. % of positive responses from the Employer Survey - <i>Information available is helpful in employers understanding their responsibilities</i>	97.3%	%	G	G	95%	95%		Annual(Mar)

Rationale for performance status and trend

5.3.1 This measure is under development.

5.3.2 In November 2013 an employer survey was issued, 378 employers were invited to participate and 112 responses were received when asked about feedback on information available is helpful to employers understanding their responsibilities. Only three negative response were received resulting in a 97.3% positive response. In 2012 the result showed a 95.3% positive response. 116 survey responses that were received 4 respondents chose not to answer this question.

Essex Pension Fund Board	EPB/36/14
date: 10 December 2014	

Investment Steering Committee (ISC) Quarterly Report

Report by the Director for Essex Pension Fund

Enquiries to Kevin McDonald on 01245 431301

1. Purpose of the Report

- 1.1 To provide a report on ISC activity since the last Board meeting.

2. Recommendations

- 2.1 That the Board should note the report.

3. Background

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Board.
- 3.2 Since the Board's last meeting the ISC met once, on 26 November 2014.

4. Investment Steering Committee 26 November 2014

- 4.1 The Committee received a verbal update on the latest developments in respect of potential structural reform of the LGPS.
- 4.2 A report on the work undertaken by both the Law Commission and the Shadow Scheme Advisory Board into the Fiduciary Duty of Trustees. It was highlighted that both reviews broadly came to the same conclusion. The following points were noted:
- that the primary aim of the investment strategy should be secure the best realistic return over the long-term given the need to control risks, this does not necessarily mean maximising return;
 - a distinction should be made between financial and non-financial factors;
 - that trustees should always take account of financial factors;
 - that trustees may also take account of non-financial factors (quality of life or ethical issues) if two tests are met:
 1. that trustees have good reason to believe that scheme members would share the concern; and
 2. decisions should not involve a risk of significant financial detriment to the Fund.
- 4.3 Following discussions it was agreed that the SIPs wording be revised from:

“The ISC does not place restrictions on investment managers in choosing investments in quoted companies except in limiting the size of single investments. We expect the companies in which we invest to adopt and pursue socially responsible business practices.

The ISC will intervene if investments are made in companies whose behaviour is seen as unacceptable because of environmental considerations and other social implications. Intervention is likely to be extremely rare as companies are aware of the increasing sensitivity of investors.”

to:

“The ISC does not place restrictions on investment managers in choosing investments in quoted companies except in limiting the size of single investments. The ISC expects investment managers to place their primary consideration on financial factors when selecting investments for inclusion in the portfolio as an assessment of appropriate ESG capability is made before a manager is appointed.

However, the ISC will allow investment managers to consider non-financial factors in selecting investments providing that such decisions are not expected to:

- 1 Be financially detrimental to the Fund (either in terms of expected return or risk); or*
- 2 Represent a significant opportunity cost if not held.*

In general the ISC expect the selection of stocks, based on a significant degree of non-financial reasons, to be extremely rare and reserve the right to intervene on a case by case basis.”

4.4 A revised SIP which included both the change highlighted above, and a series of other updates was agreed for consultation with stakeholders. This draft SIP:

- was included within the ISC papers sent to all Members of the Board;
- is currently on infoBOARD; and
- will shortly be loaded onto the pension fund website www.essexpensionfund.org.uk ahead of stakeholder consultation.

4.5 A report on the Fund’s investment performance for the quarter ending 30 September 2014 was received. The value of the Fund increased from £4.467bn as at 30 June 2014 to a value of £4.593bn as at 30 September 2014.

4.6 Traffic light reports, briefings of Officer & Adviser meetings held with Longview and M&G and an update on the implementation of the Alcentra mandate were noted.

4.7 Presentations were received from both Baillie Gifford and Marathon on their respective global equity mandates.

5. Link to Essex Pension Fund Objectives

5.1 Investments
To maximise the returns from investments within reasonable risk parameters.
To ensure the Fund is properly managed.

6. Risk Implications

6.1 None other than those already identified as part of the Fund’s investment strategy.

7. Communication Implications

7.1 None

8. Finance and Resources Implications

- 8.1 None other than those already identified as part of the Fund's investment strategy.

9. Background Papers

- 9.1 ISC meeting 26 November 2014 – agenda and draft minutes.