

# Essex Pension Fund Board

<b>14:00</b>	<b>Wednesday, 04 March 2015</b>	<b>Committee Room 2, County Hall, Chelmsford, Essex</b>
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**Please note that there will be no pre-meeting training**

**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  
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](mailto:ian.myers@essex.gov.uk)



**Essex County Council**

## **Essex County Council and Committees Information**

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

Most meetings are held at County Hall, Chelmsford, CM1 1LX. A map and directions to County Hall can be found at the following address on the Council's website:  
<http://www.essex.gov.uk/Your-Council/Local-Government-Essex/Pages/Visit-County-Hall.aspx>

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The Council Chamber and Committee Rooms are accessible by lift and are located on the first and second floors of County Hall.

If you have a need for documents in the following formats, large print, Braille, on disk or in alternative languages and easy read please contact the Committee Officer before the meeting takes place. If you have specific access requirements such as access to induction loops, a signer, level access or information in Braille please inform the Committee Officer before the meeting takes place. For any further information contact the Committee Officer.

Induction loop facilities are available in most Meeting Rooms. Specialist head sets are available from Duke Street and E Block Receptions.

The agenda is also available on the Essex County Council website, [www.essex.gov.uk](http://www.essex.gov.uk) From the Home Page, click on 'Your Council', then on 'Meetings and Agendas'. Finally, select the relevant committee from the calendar of meetings.

Please note that an audio recording may be made of the meeting – at the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

## Part 1

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

		<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Interest</b> To note any declarations of interest to be made by Members.	
<b>3</b>	<b>Minutes</b> To approve as a correct record the minutes of the Board held on 19 January 2015.	<b>7 - 10</b>
<b>4</b>	<b>Local Government Pension Scheme Reform</b>	
<b>4a</b>	<b>Structural Reform</b> To receive a verbal update from the Director for Essex Pension Fund on the DCLG Consultation on 'Opportunities for collaboration, cost saving and efficiencies'	
<b>4b</b>	<b>Governance Working Group</b> To consider a joint report (EPB/01/15) from the Director for Essex Pension Fund and the Independent Governance and Administration Adviser.	<b>11 - 24</b>
<b>5</b>	<b>Pension Freedoms and Flexibilities</b> To receive a presentation on Pension Freedoms and Flexibilities	
<b>6</b>	<b>Update on Pension Fund Activity</b>	<b>25 - 28</b>
<b>6A(i)</b>	<b>2014/15 &amp; 2015/16 Business Plan</b>	<b>29 - 38</b>
<b>6A(ii)</b>	<b>Three Year Business Plan</b>	<b>39 - 40</b>
<b>6B</b>	<b>Risk Management - Risk Register</b>	<b>41 - 42</b>

- |           |   |                |
|-----------|---|----------------|
| <b>6C</b> | <b>Measurement against Fund Objectives - Scorecard</b>  | <b>43 - 64</b> |
| <br>      |   |                |
| <b>7</b>  | <b>Effectiveness of the Essex Pension Fund Board</b><br>To consider report (EPB/03/15) and recommendation from the Independent Governance & Administration Advisor.                               | <b>65 - 68</b> |
| <b>8</b>  | <b>Investment Steering Committee (ISC) Quarterly Report</b><br>To note a report EPB/04/15 (item to follow) by the Director for Essex Pension Fund   |                |
| <b>9</b>  | <b>Date of Next Meeting</b><br>To note that the next meeting will be held on Wednesday 8 July 2015 at 2.00pm, Committee Room 2, County Hall   |                |
| <b>10</b> | <b>Urgent Business</b><br>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.

- |           |  |
|-----------|--|
| <b>11</b> | <b>Fund Actuary</b> <ul style="list-style-type: none"><li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li></ul> |
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**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.



**Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm at County Hall, Chelmsford on 19 January 2015**

Present:

**Member**

**Essex County Council**

Cllr R Bass (Chairman)  
 Cllr S Barker  
 Cllr K Clempner  
 Cllr N 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**

Keith Blackburn

**Smaller**

**Employing Bodies**

J Moore

**Police and Crime**

**Commissioner**

C Garbett

The following officers and advisers were also present in support:

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)
Matt	Mott	Communications Manager for Essex Pension Fund
Ian	Myers	Secretary to the Board

The Chairman welcomed Nicola Mark MBE Head of Norfolk Pension Fund to the meeting.

**1. Apologies for Absence**

Apologies for absence were received from Councillors Woodley, Rice and Galley

**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 10 December 2014 be approved as a correct record and signed by the Chairman.

### 4. Local Government Pension Scheme Structural Reform

Members were informed there were no matters at this stage to report.

### 5. Essex Pension Fund Governance structure incorporating the formation of a new Local Pension Board

Members considered the report (EPB/01/15) by the Director for Essex Pension Fund and the Independent Governance & Administration Adviser which outlined draft proposals on the Fund's Governance structure incorporating the formation of a new Local Pension Board.

The Chairman thanked the Governance Working Group, Kevin McDonald and Barry Mack for their work in the production of the proposals and the recommendations to be considered by the Board as follows:

#### Proposal A – Naming of existing and new bodies

- The current Essex Pension Board will be retained and renamed as the Essex Pension Fund Strategy Board (PSB).
- The new Local Pension Board will be named the Essex Pension Fund Advisory Board (PAB).
- The current Essex Pension Fund Investment Steering Committee (ISC) will be retained.

#### Proposal B – Remit of the new Local Pension Advisory Board

- Assist the Essex County Council Administering Authority as Scheme Manager to
  - a) Secure compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS.
  - b) Secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- Ensure that the Essex Pension Fund is managed and administered effectively and efficiently.
- The Pension Advisory Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

#### Proposal C – Constitutional structure of the new Local Pension Board

- To be made up of 9 Members as follows:
    - 4 employer representatives made up of ECC (1), Borough/City District (1), Unitary (1), other employers (1)
    - 4 scheme member representatives of which 1 will be nominated by the trade unions and the rest drawn from the total scheme membership
    - 1 independent Chair
- Page 8 of 66  
 A reciprocal chairing was proposed under which the Director for Essex Pension Fund would chair

Norfolk's local pension board and the Head of Norfolk Pension Fund would chair the Essex PAB. It was also proposed that this reciprocal arrangement be agreed for an initial 2 year period with an 18 month review..

Nicola Mark, Head of Norfolk Pension Fund, commented on the proposals, the role of the Chairman including the knowledge and expertise required and on the close collaboration between the Essex and Norfolk funds.

The Chairman thanked Nicola for her comments and support after which point she left the meeting.

#### **Proposal D – Impact on current governance structure and current Scheme of Delegation**

- The Pension Advisory Board will be a new body. It will not be possible for an individual to be a Member of both the PSB and PAB although existing Members could transfer to the PAB to ensure there is sufficient experience.

#### **Proposal E – Other matters**

- Other matters to be included in the Terms of Reference of the PAB were noted.

Following further discussion on the future arrangements and approvals necessary it was **Resolved**:

That the recommendations detailed in the report, **Proposals A – E**, subject to any minor amendments noted at the meeting or any other changes required as a result of the introduction of the Act, be **agreed**.

### **6. Dates of Future Meetings**

Members agreed the schedule of meetings for the Municipal Year 2015/16 as follows:

- Wednesday 8 July 2015
- Wednesday 16 September 2015
- Wednesday 4 November 2015 (training day)
- Wednesday 9 December 2015
- Wednesday 20 January 2016 (training day)
- Wednesday 9 March 2016

The next Board meeting will be held at 2.00pm on Wednesday 4 March 2015 in Committee Room 2, preceded by a Member training session.

### **7. Urgent Business**

There was no urgent business.

There being no further business, the meeting closed at 3.45pm.

Chairman

<b>Essex Pension Fund Board</b>	<b>EPB/01/15</b>
<b>date: 4 March 2015</b>	

**Implementing the requirement for a new Local Pension Board**

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

Enquiries to Kevin McDonald 03330 138488

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**1. Purpose of the Report**

- 1.1 To highlight the decision by Essex County Council to agree the Board's proposal to establish a new Local Pension Board.
- 1.2 To highlight the matters subsequently discussed by the Governance Working Group on 13 February 2015 for the Board to consider. .

**2. Recommendations**

- 2.1 That the Board provides its comments on the Governance Working Group's progress regarding the appointment of employer and scheme member representatives to the EPFSB (Essex Pension Fund Strategy Board) and PAB (Pension Advisory Board).
- 2.2 That the board considers the draft timetable for next steps to be tabled at the meeting...

### **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 to ensure creation of a new LPB (Local Pension Board) was in place by 1 April 2015.
- 3.3 The GWG met on Wednesday 19th November 2014 to agree a set of principles which were referred to the board for agreement. This included the naming convention of the various bodies. The Board agreed these proposals at 10 December 2014 meeting.
- 3.4 An additional meeting was held by the Board on 19 January 2015, to finalise the work of the GWG and agreed the proposal to be submitted to Council on 10 February 2015.

### **4. Council: 10 February 2015**

- 4.1 Council agreed to the proposal and also to the terms of reference. This report is attached at Annex A.

### **5. Governance Working Group: 13 February 2015**

- 5.1 The GWG met on 13 February 2015 to discuss the appointment process for representatives on both the Pensions Strategy Board (PSB) and the Pensions Advisory Board (PAB).
- 5.2 The draft note of the discussion held by the GWG on the 13 February is attached at Annex B. In the time available GWG Members have not had the opportunity to comment on this draft prior to the dispatch of the Board's agenda.

### **6. Trade Unions**

- 6.1 An update will be given at the meeting on correspondence with Trade Unions.

## 7. Timetable

- 7.1 A draft timetable detailing steps leading up to the first meeting of the new PAB will be tabled at the meeting.

## 8. Link to Essex Pension Fund Objectives

- 8.1 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.
- 8.2 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.

## 9. Risk Implications

- 9.1 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"*.
- 9.2 The current rating for this risk is as follows:

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

## **10. Communication Implications**

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

## **11. Finance and Resources Implications**

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

## **12. Background Papers**

- 12.1 Fund response to Local Government Pension Scheme (England & Wales) new governance arrangements – discussion paper, September 2013
- 12.2 Training session on Governance by Independent Governance & Administration Adviser 22 January 2014.
- 12.3 Item 6C (Draft Regulations on Scheme Governance) from Pension Board agenda 9 July 2014.
- 12.4 Fund response to DCLG consultation: Draft Regulations on Scheme Governance, August 2014
- 12.5 Item 5B (LGP) Reform Scheme Governance from Pension Board agenda 17 September 2014
- 12.6 Item 5B Governance Working Group from pension Board agenda 10 December 2014
- 12.7 Item 5 Essex Pension fund Governance structure incorporating the formation of a new Local Pension Board agenda 19 January 2015.

**Background and Purpose**

1. Essex County Council is the administering authority for the Essex Pension Fund – the name for the Local Government Pension Scheme (LGPS) in Essex. On 28 January 2015, long anticipated new regulations were laid before Parliament which require the Council to establish a Local Pension Advisory Board by 1 April 2015.
2. A statutory body, the new Local Pension Advisory Board will not have decision making powers. The Board will not replace the existing decision making structure of the Essex Pension Fund. This report asks the Council to make the changes to the Constitution which are needed in consequence of the creation of the new Board (which is to be known as the Essex Pension Fund Advisory Board (PAB)). These changes, summarised at appendix 1, have been considered and agreed by the existing Essex Pension Fund Board and are recommended to the Council.

**Current Governance Arrangements**

3. Management of the Essex Pension Fund is currently delegated to two bodies:
  - a. the Essex Pension Fund Board, which includes County Councillors, representatives of other employers and of pension scheme members, and
  - b. the Investment Steering Committee, a committee of the Council.
4. The Council currently appoints six members to the Investment Steering Committee who in turn are the County Council's representatives on the Essex Pension Fund Board. The Investment Steering Committee reports quarterly to the Essex Pension Fund Board on investment matters. The Essex Pension Fund Board reports annually to the Council.

**Origins of the requirement for the new Pension Advisory Board (PAB)**

5. A board of this nature with stakeholder representation was one of the recommendations of Lord Hutton's 2011 report of the Independent Public Services Pension Commission. This was followed by the Public Service Pension Act 2013 and the LGPS Regulations laid at the end of January 2015.

**Terms of Reference of the new Pension Advisory Board (PAB)**

6. The proposed terms of reference and procedural rules are at appendix 2 and reflect the new PAB's statutory role to assist the Council in meeting all legal requirements in connection with the management of the Essex Pension Fund and the LGPS. It must also assist the Council to comply with the regulatory requirements imposed by the Pensions Regulator. The terms of reference also include a number of other matters which the existing Essex Pension Fund Board considers will help the Fund get the most benefit from the PAB. These are listed in paragraphs 2(F) and 2(H) of appendix 2.

## **Composition of the new Pension Advisory Board (PAB)**

7. The Regulations require the new PAB to be composed of an equal number of representatives of employers and representatives of members of the pension scheme (ie current or previous employees or pensioners). The new PAB can also include other non-voting members.
8. The Regulations prevent an Elected Member from being a member of both the new PAB and either the existing Essex Pension Fund Board or the Investment Steering Committee. The existing Essex Pension Fund Board proposes that this restriction should apply to all members of the PAB not just Elected Members.
9. The proposed composition of the new PAB is:
  - a. Four members representing employers, one appointed by each of the following:
    - i. Essex CC
    - ii. Borough, City and Districts
    - iii. Unitary Councils
    - iv. Other employers
  - b. Four members representing pension scheme members as follows:
    - i. One will be nominated by the Trade Unions
    - ii. Three will be drawn from the three categories of scheme membership:
      1. active members (i.e. employees currently paying into the scheme),
      2. members with deferred benefits (i.e. former employees who have not yet reached pension age); and
      3. pensioners.
  - c. An independent non-voting Chairman.
10. The existing Essex Pension Fund Board considered and supports a proposal from Norfolk County Council in relation to the appointment of an interim PAB Chairman. Under this reciprocal arrangement the Head of the Norfolk Pension Fund would be Chairman of Essex PAB, and in turn the Director of the Essex Pension Fund would be Chairman of the Norfolk Local Pension Advisory Board.
11. It will be necessary to have an appointment process for appointment of the other members of the Board. It is proposed that the existing Essex Pension Fund Board should have delegated authority to agree the process and to make appointments in accordance with this process.
12. The existing Essex Pension Fund Board proposes that arrangements for the PAB, including those of interim Chairman, are reviewed within two years.

## Impact on other parts of Scheme Governance

13. It is proposed to make the following changes to the current governance arrangements:
  - a. Increase the size of the Investment Steering Committee from 6 to 7 (this will continue to reflect the political balance of the Council)
  - b. Rename the existing 'Essex Pension Fund Board' as the 'Essex Pension Fund Strategy Board' (PSB) to reflect its strategic role.
  - c. In light of the membership arrangements for the new PAB reduce the size of the PSB from 14 to 11, with the new composition of the Board to be as set out in appendix 1.

### Recommendations:

1. That the Constitution be amended with effect from the date of the annual meeting of the Council in May 2015, to
  - a. replace existing 'Essex Pension Fund Board' with 'Essex Pension Fund Strategy Board' wherever it appears;
  - b. change the size of the Essex Pension Fund Strategy Board to 11 members and the size of the Investment Steering Committee to 7 members;
  - c. Insert the following text at the end of paragraph 8.1 of the Constitution: "The Essex Pension Fund Advisory Board is included as a statutory body created by the full Council."
  - d. include appendix 2 as paragraph 8.1.9 of the Constitution
  - e. amend paragraph 8.1.6 of the Constitution (which defines the membership of the Essex Pension Fund Board) to say:

*Membership: 11 members consisting of seven Members of the Council, one member representing Borough, City and District Councils in Essex, one member representing Southend-on-Sea and Thurrock Unitary Councils, one member representing other Employing Bodies nominated by the Employer Forum and one member representing Scheme Members nominated by Unison.*

2. That the Essex Pension Fund Advisory Board (PAB) be created as the Council's Local Pension Advisory Board with the membership, terms of reference and procedural rules as set out at Appendix 2. Furthermore the PAB's interim Chairman will be the Head of the Norfolk Pension Fund in line with the reciprocal arrangement that requires the Director for Essex Pension Fund to be the Chairman of the Norfolk Local Pension Advisory Board.
3. That the existing Essex Pension Fund Board be authorised to
  - a. Approve the manner of appointment of Employer and Member representatives members of the PAB
  - b. Agree the appointment of members of the PAB in accordance with the arrangements set out in appendix 2 or as approved by the Board.
4. That the Monitoring Officer be authorised to make necessary changes to the Constitution in consequence to these changes.

Appendix 1

<b>Table 1 - Existing Arrangements</b>	<b>Investment Steering Committee (ISC)</b>	<b>Essex Pension Fund Board</b>
Essex County Council	6	6
Borough, City and District Councils		2
Unitary Councils		2
Police & Crime Commissioner		1
Fire Authority		1
Smaller employers		1
Trade Unions		1
<b>Total</b>	<b>6 *</b>	<b>14</b>
<p><b>Note:</b>            * In addition to the six members of the Committee there are two ISC Observers who are permitted to speak at the meeting. One observer represents employers and one represents members of the pension scheme.            All Board Members are able to attend to ISC meetings.</p>		

<b>Table 2 - Proposed arrangements</b>	<b>Investment Steering Committee (ISC)</b>	<b>Pension Strategy Board (PSB)</b>	<b>Pension Advisory Board (PAB)</b>
Essex County Council	7	7	1
Borough, City and District Councils		1	1
Unitary Councils		1	1
Smaller Employers (including Police & Fire)		1	1
Trade Unions		1	1
Scheme Members (active members, members with deferred benefits and pensioners)			3
Independent PAB Chairman (non-voting)			1
<b>Total</b>	<b>7 *</b>	<b>11 **</b>	<b>9</b>
<p><b>Note</b>            * In addition to the seven members of the Committee there will be four ISC Observers permitted to speak at ISC meetings. One observer will represent employers, 1 will be appointed by trade union and 2 will be appointed by the PAB (1 from employer representatives and 1 from scheme member representatives)             ** In addition to the 11 members of the PSB it is proposed that the PAB will appoint two PSB observers permitted to speak at PSB meetings (1 from employer representatives and 1 from scheme member representatives)             All ISC, PSB &amp; PAB Members will be able to attend meetings of the other bodies.</p>			

## THE ESSEX PENSION FUND ADVISORY BOARD

### TERMS OF REFERENCE AND RULES OF PROCEDURE

#### 1. Introduction

The Essex Pension Fund Advisory Board is appointed by Essex County Council as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 (PSPA13) and Part 3 of the Local Government Pension Scheme Regulations 2013. It is referred to in this document as ‘the Board’

In this document:

“CoP” means any Code of Practice on Governance issued by tPR

“EPF” means the Essex Pensions Fund

“ISC” means the Investment Steering Committee

“LGPS” means the Local Government Pension Scheme

“PSB” means the Essex Pension Fund Strategy Board”

“Scheme Manager” means Essex County Council

“tPR” means the Pensions Regulator

#### 2. Remit of the Pensions Advisory Board

The Board has the following remit:

- (A) To assist Essex County Council (ECC) Administering Authority as Scheme Manager –
  - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
  - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator (tPR)
- (B) To secure the effective and efficient governance and administration of the LGPS for the EPF
- (C) To help ensure that the EPF is managed and administered effectively and efficiently and complies with the CoP.
- (D) To assist the Scheme Manager with such matters as the scheme regulations may specify.
- (E) To–
  - be a ‘critical friend’ to the PSB and the Investment Steering Committee.
  - provide oversight of decisions made by the PSB to ensure that due process has been followed.
- (F) The Pensions Advisory Board may review any decision made by or on behalf of the Scheme Manager.

Stage 1: The Board may refer a decision to the original decision maker if at least 3 employer representatives and 3 scheme member representatives believe that one or more of the following applies:

- 1 The decision maker was not authorised to make the decision in question;
- 2 The decision was in breach of legislation and/or regulations;

- 3 The decision maker did not follow professional advice given (or didn't take professional advice) and it is believed that this could result in a materially bad outcome for the EPF;
- 4 The approach to making the decision did not follow one or more of the following principles:
  - (i) The decision-maker did not ask themselves the right question(s);
  - (ii) The decision-maker did not direct themselves correctly in law; in particular did not adopt a correct interpretation of the legislation and regulations relevant to the EPF;
  - (iii) The decision-maker did not take into account all relevant facts;
  - (iv) The decision-maker arrived at a perverse decision (i.e. a decision which no reasonable decision-maker could have reached).
- 5 New material has come to light that which might have resulted in a different outcome provided that the original decision has not yet been irrevocably implemented.

Stage 2: If the Board is dissatisfied with the response of the decision maker, it will seek the advice of the Director of EPF (unless the Director was the original decision maker).

Stage 3: Where the decision-maker in question is the Director of EPF or the Pensions Advisory Board remains dissatisfied with the response or resolution from the Director of EPF it will seek the advice of the National Local Government Pension Scheme Advisory Board (and shall inform Essex County Council's section 151 Officer that it has done so).

(G) The Board will adopt a policy statement on reporting breaches identified under (F).

(H) At the invitation of the PSB, the Board may also undertake other tasks, including (but not limited to) –

- Assisting the PSB by reviewing aspects of the performance of the EPF– for example by example by reviewing the risk management arrangements within EPF (although the PSB will remain accountable for risk management)
- reviewing administration standards or performance or review efficacy of scheme member and employer communications
- reviewing published policies to ensure they remain fit for purpose and are complete
- reviewing EPF annual reports
- consider producing a Board annual report in accordance with requirements, guidance and general accountability to stakeholders
- being 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
- discussing strategic matters such as communications where requested by the Pensions Strategy Board.

(I) Appointing Observers to attend meetings of the PSB and the ISC.

### **3. Appointment and membership of the Pensions Advisory Board**

(A) The Board shall consist of 9 members and be constituted as follows:

- (i) Four employer representatives made up of 1 from each of the following groups of employers in the EPF:
  1. Essex County Council (an elected member)
  2. The District, City and Borough Councils of Essex (an elected member)
  3. Southend on Sea and Thurrock Unitary Authorities (an elected member)
  4. All other employers.

- (ii) Four scheme member representatives of which 1 will be nominated by the trade unions and the rest drawn from the total scheme membership (active, deferred and pensioner members);
  - (iii) 1 independent Chairman.
- (B) Employer and scheme member representatives will be appointed through a clear and transparent process as determined by the PSB. The Independent Chairman will be appointed by the PSB.
  - (C) Where any employer, other than Essex County Council, has a representative on the PSB, that employer will not be permitted to also have a representative on the Board.
  - (D) No officer of Essex County Council who is either responsible for discharging any function in relation to the LGPS regulations or has delegated decision making authority in relation to LGPS matters may be a member of the Board.
  - (E) No member of the PSB may be appointed to the Board.

#### **4. Meetings of the Board**

- (A) The Board shall have a quorum of 3 including the Chairman, 1 employer representative and 1 scheme member representative.
- (B) Substitutes will not be permitted
- (C) Meetings will normally be held at the offices in County Hall and will be held in public
- (D) All Board Members will be entitled to vote unless otherwise stated in the LGPS Regulations.
- (E) In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected.
- (F) The PSB may appoint observers who will normally be entitled to speak on any item at a meeting of the Board.

#### **5. Standards and Conflicts of Interest**

- (A) The Board shall adopt a policy for identifying conflicts of interest.
- (B) Members of the Board must provide the Scheme Manager with such information as it requires to ensure that any member of the Pensions Advisory Board or person to be appointed to the Board does not have a conflict of interest.
- (C) The Board will comply with the EPF training policy and training opportunities will as far as possible be shared with the PSB and Investment Steering Committee.
- (D) The Board will, after consulting the Scheme Manager's Monitoring Officer, adopt a code of conduct to which all members will be required to abide.

#### **6. Review**

- (A) The Board will undertake an annual review process to assess its performance with a view to seeking continuous improvement in the Board's performance. The first review will take place no later than 1 October 2016.
- (B) The Board will commence a review of its efficacy after the first 18 months to determine whether it is meeting the needs of EPF's stakeholders and in time for any changes to be made in May 2017.

#### **7. Publication of Board information**

Information will be posted on the EPF website ([www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)).



## Appointment of employer representatives to PSB and PAB

## Annex B

- i. Initial term 2 years extendable to 4 years.
- ii. Director of EPF to check no conflict of interest for any proposed candidate.
- iii. **Essex County Council (ECC)** – give notice to the leader now to provide two additional elected councillors, one for the PSB/ISC and one for the PAB – noting that they may wait until after elections (7<sup>th</sup> May) – PSB/ISC place to be filled before PAB – ECC to make own arrangements for selection of representatives
- iv. **Borough, City & District Councils** – give notice now to provide two elected councillors (currently Cllr Archer for Maldon District and Cllr Galley for Chelmsford City), one for the PSB and one for the PAB (cannot both come from same borough/city/district) – noting that they may wait until after elections (7<sup>th</sup> May) – PSB/ISC place to be filled before PAB – Borough, City & District Councils to make own arrangements for selection of representatives
- v. **Unitary Councils** – give notice now to provide two elected councillors (currently Cllr Woodley for Southend-on-Sea and Cllr Rice for Thurrock), one for the PSB and one for the PAB (cannot both come from same unitary council) – noting that they may wait until after elections (7<sup>th</sup> May) – PSB/ISC place to be filled before PAB – Unitary Councils to make own arrangements for selection of representatives
- vi. **Other employers** (sectors are: Police, Fire, Academies, Universities and Colleges, Transferee Admission Bodies, Community Admission Bodies, Town & Parish Councils) – request nominations (one for PSB and one for PAB) – nominations to be supported by declaration from own employer – if more than two candidates coming from at least two different employers then first past the post e-voting / employers’ forum voting (depending on timetable) required:
  - First round of e-voting determines other employers representative for PSB
  - Eliminating any nomination from the same employer as the other employers representative for PSB, second round of voting determines other employers representative for PAB
- vii. First round could be by email, second round if required at employers’ forum.
- viii. If any representative resigns during 4 year term, a new representative should be found for the balance of the 4-years term in the case of ECC, Borough, City & District Councils and Unitary Councils. A new other employers representative could commence a new 4-year term.

## Appointment of scheme member representatives to PSB and PAB

- ix. Initial term 2 years extendable to 4 years.
- x. Director of EPF to check no conflict of interest for any proposed candidate.
- xi. **Trade union representatives** – request unions to provide two candidates, one for PSB and the other for the PAB.  
NOTE: K Blackburn’s current 4 year term on the Pension Board expires 25/9/2015.
- xii. **3 scheme member representatives** for the PAB only drawn from actives, deferreds and pensioner membership the appointment of which shall be arranged as follows:
  - each nominee should be supported by 4 nominations and if an active member a declaration of support (e.g. to allow time off) from their employer;
  - panel consisting of PAB chairman, a member of the GWG and 1 ECC officer to have a discussion with nominees so that nominees can be sure of their commitment and that the panel can be satisfied that they meet the capacity requirement

- if more than three candidates, then panel to select three on basis of wanting distribution across actives, deferreds, pensioners, employer type and geography;

***The above will go forward as proposition in papers to 4<sup>th</sup> March PSB meeting.***

### **Communicating to employers and scheme members and implementation timetable**

- xiii. David Tucker (employers) and Matt Mott (scheme members) to come up with timetable to include:
- Communication to employers in respect of both employer and scheme member representatives (active members)
  - Communication to all scheme members
  - Use of messages on payslips, deferred annual benefit statements, pensioner newsletter (avoiding additional postage costs), website (link to microsite covering details), intranets, leaflets, e-mail cascades and advertisement in Essex Chronicle, Cllr Bass on Essex Radio;
  - Other employers' representative voting
  - Panel interview for scheme member representatives
  - Induction training (shared PSB/PAB) and/or first meeting of PAB before 1 August 2015.
- xiv. Note details of what is required communication wise can be taken from guidance on tPR website, PAB's ToR and Annex, job descriptions drawn up for representatives etc.

***Timetable and communications etc. to be shared via slideshow at 4<sup>th</sup> March PSB meeting.***

### **Other actions**

- xv. Meeting timetable for PAB in its first 12 months.

<b>Essex Pension Fund Board</b>	<b>EPB/02/15</b>
<b>Date: 4 March 2015</b>	

## Update on Pension Fund Activity

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

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### 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

1.2 To provide the Board with proposals for the detailed actions:

- 2015/16 business plan

### 2. Recommendations

2.1 That the Board notes:

- progress against the 2014/15 business plan
- the estimates of income and expenditure contains within the finance schedule
- the 3 year business plan
- the current risks with a residual score of six or above
- the latest scorecard measures

2.2 That the board agrees:

- the detailed actions proposed for the 2015/16 business plan (*contained within Annex a(i)*); and
- the addition of new measures to the scorecard to give quarterly analysis to discretionary decisions covering death grants (*outlined in section 9 of this paper*).

### **3. Background**

3.1 The following documents accompany this report:

- an update on the 2014/15 business plan at Annex A(i);
- including a series of actions for 2015/16 in Annex A(i);
- a finance schedule highlighting estimated income and expenditure in 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:

- Reform of LGPS (Structural and Governance)
- Effectiveness of the Essex Pension Fund Board
- 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:

- 14 (61%) have been completed;
- 8 (35%) are in progress, of which 4 are subject to items elsewhere on this agenda
- 1 (4%) action – the review of governance policy - been deferred to next year. This is to allow the review to take place after all of the arrangements with the regard to the establishment of the new Pensions Advisory Board have been put in place.

### **6. Business Plan 2015/16**

6.1 The proposed business plan for 2015/16 contains 21 actions. Much of the Board's work is of an ongoing nature, and as result actions appear in both this year's and next year's plans. There are however three actions that do not appear in 2015/16, and one new action. These are detailed below:

Actions ceasing in 2014/15	Actions commencing in 2015/16
Procurement of Independent Governance & Administration Adviser (no. 6)	Review of staffing structure (no.22)
Commence new LGPS benefit structure (no. 17)	
Communicate commencement of new LGPS benefit structure (no.23)	

6.2 A finance schedule is appears at the end of Annex A(i) containing estimates for the main items of the Fund's income and expenditure for both 2014/15 and 2015/16.

## 7. 3 year Business Plan

7.1 The 3 year Business Plan, providing a high level summary of key work streams is shown at Annex A (ii). This has been updated in line with the proposed detailed actions for the 2015/16 Business Plan pending the boards agreement.

## 8. Risk Register

8.1 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. There are no changes since the last meeting.

## 9. Scorecard

9.1 The scorecard is set out in Annex C.

9.2 During the Board's previous consideration of the Administering Authority's discretions, the Chairman requested that information be provided quarterly on the discretionary decisions on death grants. Officers undertook to report back to the Board.

9.3 Under the terms of the LGPS regulations a grant payment falls due in the following two instances:

- a grant is payable on the death of a scheme member (either active or deferred) prior to the age of retirement; and
- a grant in the death of a scheme member within the first ten years of retirement

- 9.4 Set out below is the detail on the 28 instances where the Fund was notified of either the death in service (including deferred), or the death of a pensioner within the first ten years of retirement. It is proposed that the detail below be added to the scorecard.

	Data period	1 October 2014 – 31 December 2014
A	Deaths notified to the Fund	28
B	Number within A with death grant nomination	13
C	Number within B paid in line with nomination held	13
D	Number within A without death grant nomination	15
E	Number within D paid to next of kin	15
F	Other	-

- 9.5 It is recommended that the Board agree that death grant information as highlighted above forms part of the scorecard in future.

## 10. Link to Essex Pension Fund Objectives

- 10.1 Monitoring Pension Fund activity via the business plan, risks and scorecard assists the Fund in achieving all of its objectives, and in particular:
- Provide a high quality service whilst maintaining value for money
  - Understand and monitor risk and compliance
  - Continually measure and monitor success against our objectives

## 11. Risk Implications

- 11.1 Key risks are identified at Annex B

## 12. Communication Implications

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

## 13. Finance and Resources Implications

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

## 14. Background Papers

- 14.1 None.

**Essex Pension Fund Business Plan 2014/15  
Proposed action for Business Plan 2015/16**

**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:**

<b>Action</b>	<b>How will this be achieved?</b>	<b>Officer managing action*</b>	<b>Progress as at March 2015</b>
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

<b>2015/16 Business Plan</b>
Draft 2015/16 Business plan actions presented to 4 March 2015 Board for approval

Action	How will this be achieved?	Officer managing action*	Progress as at March 2015
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	Complete for 2014/2015
3. Board members' knowledge centre	A web based facility for Members will put in place.	HoEPF	Complete.
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	To be deferred until 2015/16
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 separate item (7) on this matter appears on the agenda for the 4 March 2015 Board
6. Procurement of Independent Governance Adviser	The procurement will be completed during 2014/15	DfEPF & HoEPF	Complete
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	A separate item (4b) on this matter appears on the agenda for the 4 March 2015 Board

2015/16 Business Plan
Training & training needs assessments will continue in 2015/16
Further infoBOARD training will take place during 2015/16
A review of governance policy will take place after arrangements for the Pensions Advisory Board have been finalised.
A further review is planned for 2015/16
Action ceasing in 2014/15 Not an action for 2015/16
The first meeting of the new Pension Advisory Board will take place during 2015/16

## 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 March 2015	2015/16 Business Plan
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	Complete.  Formal reviews took place at 23 July 2014 & 23 February 2015 Strategy ISC meetings	Reviews to take place in 22 July 2015 and 22 February 2016
9. Implement any review of investment allocation arrangement	Implement the decisions taken at the July 2014 ISC strategy meeting.	DfEPF	Complete  Illiquid debt mandate arrangements in place.	Any asset allocation decisions made by the ISC will be implemented as required.
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.	A review will take place at the 22 July 2015 ISC strategy meeting

Action	How will this be achieved?	Officer managing action*	Progress as at March 2015
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 2014. Responses will be discussed at the ISC on 25 March 2015.
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	In progress –  A report was considered by the ISC at its meeting on 23 February 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 separate item (4a) on this matter is included within the agenda for the 4 March 2015 Board meeting

2015/16 Business Plan
The SIP will be kept under review.
The process will complete during 2015/16
The situation will continue to be monitored.

# 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 March 2015	2015/16 Business Plan
14. 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	Complete  At its September 2104 meeting, the Board considered the results of the 31 March 2014.	An interim review of the Fund as at 31 March 2015 will be commissioned from the Actuary, and the results will be presented at the September 2015 meeting.
15. 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	Complete	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 2015.

<b>Action</b>	<b>How will this be achieved?</b>	<b>Officer managing action*</b>	<b>Progress as at March 2015</b>
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

<b>2015/16 Business Plan</b>
Reports on the Fund's Employer Analysis will be brought to the Board during 2015/16.

## 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 March 2015	2015/16 Business Plan
17. Commence new 2014 LGPS	Pending outcomes review and put in place a plan to deliver any requirements (e.g. revised processes, systems, etc).	HoEPF	Complete	Action ceasing in 2014/15 Not applicable for 2015/16
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	Complete.  Deferred benefit statement were dispatched in June 2014. Active benefit statements were dispatched in August 2014.	Complete year end accounting, gather information from employer and update UPM, and produce annual benefit statements.
19. Administration Strategy	The Administration Strategy will be monitored during 2014/15.	HoEPF	In progress  Monitoring continues	The Administration Strategy will be monitored during 2015/16.

Action	How will this be achieved	Officer managing action*	Progress as at March 2015	2015/16 Business Plan
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	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	Complete	The second phase including “ <i>member online</i> ” and “ <i>employer online</i> ” is scheduled to commence in 2015/16
22. Review of staffing structure			Action commencing in 2015/16 Not applicable for 2014/15	A review is scheduled to take place during 2015/16.

## 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 March 2015	2015/16 Business Plan
23. New 2014 LGPS	Pending outcomes, review and put in place a plan to deliver any communication requirements including delivery of key messages	HoEPF	Complete	Action ceasing in 2014/15 Not applicable for 2015/16
24. Monitor Communications Policy	The communications policy will be monitored during 2014/2015	HoEPF	Complete for 2014/15	A review of the communications policy will take place after arrangements for the new Local Pension Board have been finalised

Key:

DfEPF: Director for Essex Pension Fund

HoEPF: Head of Essex Pension Fund

GTM: Governance Team Manager

IGAA: Independent Governance & Administration Adviser

# Finance schedule

		2013/14	2014/15	2015/16	2016/17
		actual	estimate	forecast	forecast
		£ (000)	£ (000)	£ (000)	£ (000)
EXPENDITURE	Retirement Pensions	162,589	170,302	180,303	192,324
	Retirement Lump Sums	36,518	37,238	38,440	39,680
	Death Benefits	3,951	4,054	4,160	4,268
	Leavers benefits	10,003	8,167	8,575	9,004
	Expenses	2,292	2,915	2,855	2,415
<b>TOTAL</b>		<b>215,353</b>	<b>222,676</b>	<b>234,333</b>	<b>247,691</b>
INCOME	Employees Ctbns	48,843	48,687	48,930	49,175
	Employers Ctbns				
	Ongoing	97,615	105,429	105,956	106,486
	Deficit (scheduled)	62,756	68,062	42,735	43,000
	Deficit (one off)	149			
	Financial Strain	4,278	3,506	3,506	3,506
	Transfer Values in	10,157	8,094	8,110	8,109
	Other income	66			
<b>TOTAL</b>		<b>223,864</b>	<b>233,778</b>	<b>209,237</b>	<b>210,276</b>
Net cash flow excl. Investment Income		8,511	11,102	(25,096)	(37,415)

# Essex Pension Fund

## 3 Year Business Plan

### April 2015 to March 2018

Area of activity	2015/16	2016/17	2017/18
<b>Governance</b>			
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	September (Review)	September Ongoing	September (Review)
• Training needs assessment (TNA)	Ongoing		Ongoing
Governance review	September	September	September
Effectiveness of Pension Fund Board	July	July	July
Annual Statement of Accounts	July (draft) September (Final)	July (draft) September (Final)	July (draft) September (Final)
Employer Forum(s)	May (onwards)	May (onwards)	May (onwards)
Review scorecard (risk register)	Quarterly	Quarterly	Quarterly
Review performance	Quarterly	Quarterly	Quarterly
Administering Authority discretions and delegations review			September (review)
Employing Authority discretions and delegations review			September (review)
Communications policy review	September	September	September

Area of activity	2015/16	2016/17	2017/18
<b>Investment (Steering Committee)</b>			
Strategic asset allocation review	July & February	July & February	July & February
Asset/Liability study		February	
Statement of Investment Principles review	March	March	March
Review investment management fees	July	July	July
Individual manager review	Quarterly	Quarterly	Quarterly
<b>Funding</b>			
Funding Strategy Statement review	September	July - March	September
Actuarial Valuation 2016	Preparation	April - March	Implementation
Interim funding review	September		September
Admission/employer participation/bulk transfer policy	Ongoing	Ongoing	Ongoing
<b>Administration</b>			
LGPS reform – planning for administration changes	Follow up amendments	Ongoing	Ongoing
Review/Procurement of IT System	Ongoing (Phased installation)	Review of effectiveness & development	
End of year data exercise	July	July	July
Auto-enrolment / workbased pensions	Rolling Employer staging dates	Rolling Employer staging dates	Rolling Employer staging dates
<b>Communications</b>			
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	A review of the staffing structure planned for 2015/16
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	9	Jody Evans	The new UPM Civica system has been in place since January 2015 (following a period of dual running from November 2014) and is being monitored on an ongoing basis.
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	A review of the staffing structure planned for 2015/16
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 - 4 March 2015

**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

5

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

2

2

1

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

1.4 - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based

3

1.5 - Understand and monitor risk and compliance

5

### 2. INVESTMENTS

2.1 - Maximise returns from investments within reasonable risk parameters

1

3

2.2 - Ensure the Pension Fund is properly managed (ISC attendance, skills and governance arrangements)

1

2

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

5

### 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

1

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

2

3.3 - To have consistency between Investment and Funding strategies

2

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.

1

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

1

3.6 - Minimise unrecoverable debt on termination of employer participation

2

### 4. ADMINISTRATION

4.1 - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.

14

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

2

4.3 - Ensure proper administration of financial affairs

1

1

4.4 - Compliance with Fund's governance arrangements

5

### 5. COMMUNICATIONS

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

3

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

4

2

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.

1

1

### 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		Previous status	Current status	Target	Annual target	Polarity	Frequency
		Units						
1.1.1 Cost per scheme member	2nd	quartile	G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Sep)
1.1.2 Number of scheme member complaints	2		G	G	5	20	Low	Quarterly
1.1.3 Number of scheme member compliments	18		G	G	15	60	High	Quarterly
1.1.4 Scheme member survey - % of positive answers	96.4%	%	G	G	95%	95%	High	Annual (Jul)
1.1.5 Employer survey - % of positive answers	97.3%	%	G	G	95%	95%	High	Annual (Jul)

### 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 31 December 2014 was 2 (Previous quarter 2)

**1.1.3.** The number of compliments received in the 3 months to 31 December 2014 was 18. (Previous quarter 27)

**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	57%	%	A	A	80%	80%	High	Quarterly
1.2.2 Board Members completing training needs analysis (TNA)	56%	%	R	R	90%	90%	High	Quarterly
1.2.3 Board Members with adequate skills - average scores for comprehensive training need analysis (TNA)	35%	%	R	R	65%	65%	High	Quarterly
1.2.4 Board Member attendance at Board meetings	71%	%	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 (Jul)

### Rationale for performance status and trend

1.2.1. This measure reflects attendance by Board Members at training prior to the March 2014, July 2014, September 2014, December 2014 and January 2015 meetings. In addition, it also includes the standalone governance training session on 22 January 2014.

1.2.2. This represents the completion rate of TNA by board members (last quarter 61%).

1.2.3. This represents the score of the completed TNA forms (last quarter 36%).

1.2.4. This represents attendance at Board meetings in March 2014, July 2014, September 2014, December 2014 and January 2015 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	61% Complete 35% in progress 4% deferred to 2015/16	A	A	70% Complete, 30% in progress	100% complete	High	Quarterly

#### Rationale for performance status and trend

1.3.1 Against a total of 23 actions or projects for the year.

- 14 (61%) complete
- 8 (35%) in progress
- 1 (4%) deferred until 2015/16

The business plan is detailed in Annex A of this report.

## 1.4 - Act with integrity and be accountable to our stakeholders

**Measure Purpose:** To act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based

**Scope:** Formal complaints against Board Members relating to their role as member of the EPFB or ISC, with reference to Essex County Council's Code of Conduct. Formal complaints are those made to Standards Committee. The same complaint may be referred onto the Local Government Ombudsman or a third party may seek judicial review. Measure also includes annual review of key decisions and accountability and contract management measures currently in development

**Measure Owner:** Ian Myers

**Data lead:** Ian Myers

Status	Value	Units	Previous status	Current status	Target	Polarity	Frequency
1.4.1 Number of complaints made	0		G	G	0	Low	On-going
1.4.2 Number of complaints upheld	0		G	G	0	Low	On-going
1.4.3 The Board has provision for representatives of employers and scheme members. Appointees are currently in place.	No		G	G	Yes	High	Quarterly

### Rationale for performance status and trend

- 1.4.1 Reflects performance over the previous 12 months as at 31 December 2014.
- 1.4.2 Reflects performance over the previous 12 months as at 31 December 2014.
- 1.4.3 This is measured on an on-going basis. Yes = green; No = red.

## 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	%	G	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. (12 in December. 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. (0 in December). 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)	65	%	A	G	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. (87% in previous quarter)

2.2.3. This represent the score of the completed TNA forms. (48% 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	6.4	%	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%

As part of the review of the Statement of Investment Principles, Investment Consultants Hymans Robertson conducted a review of the Fund's investment structure using their Asset Model (HRAM), the stochastic scenario generator developed by Hymans Robertson LLP, calibrated using market data as at 31 October 2014. The result was an expectation of a 6.4% p.a. return which rose to 7.2% with the inclusion of investment managers outperformance.

##### 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:** Sara Maxey & Sam Andrews

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

#### Rationale for performance status and trend

**3.5.1** As reported to the ISC at its Strategy Meeting on 23 February, it remains the case that Fund benefit expenditure is estimated to exceed contribution income (excluding investment income) during 2015/16. The ISC has considered an approach for the use of part of the Fund's investment income to source the required funds.

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
<b>3.6.1</b> Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.000	%	G	G	0.00%	0.00%	Low	Quarterly
<b>3.6.2</b> Deficit unrecoverable due to employers leaving scheme (as a proportion of Total Fund deficit)	0.000	%	A	G	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

There have been no potentially unrecoverable deficits during the last quarter.

**3.6.2 Scoring:**

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

There have been no confirmed unrecoverable deficits during the last quarter.

In the previous quarter, 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	0	number	G	G	<9	N/A	Low	Quarterly
4.1.12 New IDRPs during the year	2		G	G	Below CIPFA average	Pending	Low	Annual (Aug)
4.1.13 IDRPs - 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 (Jul)

**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, 0 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

4.2.1 There were no breaches this quarter.

Green = 0 breaches

Amber = 1 or more medium or minor breaches

Red = 1 or more major or critical breaches

4.2.2 There were no required actions this quarter.

### 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	100	%	R	G	75%	100%	High	Quarterly
4.3.2 % of contributing employers submitting timely payments	98.4	%	A	A	100%	100%	High	Quarterly

#### Rationale for performance status and trend

**4.3.1** In the quarter up to December 2014 the Investment team completed 100% of the reconciliations within the specified timescale. The previous (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 that quarter was therefore red.

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

**4.3.2** For the quarter ending December 2014 the performance was amber as payments from **98.4%** of the 468 contributing employers were received within the month they fell due. In cash terms this equated to **99.7%** of a total employer contribution of £30.6m.

## 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 (Jul)
5.1.2. % of positive responses from the Employer Survey. - <i>Expertness of Pensions Teams.</i>	99.1	%	G	G	95%	95%	High	Annual (Jul)
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 (Jul)
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 (Jul)
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 (Jul)
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 (Jul)
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 (Jul)
5.2.5. Increase in response of the Scheme Member Survey compared to last year.	43.9%	%	G	G	Increase	Increase	High	Annual (Jul)
5.2.6. Increase in response rate of the Employer Survey compared to last year.	169.8%	%	G	G	Increase	Increase	High	Annual (Jul)

**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 (Jul)

### 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.

<b>Essex Pension Fund Board</b>	<b>EPB/03/15</b>
<b>date: 4 March 2015</b>	

**Board Effectiveness**

Report by the Independent Governance & Administration Adviser

Enquiries to Kevin McDonald on 03330 138488 and Barry Mack on 020 7082 6141

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**1. Purpose of the Report**

- 1.1 To provide a framework for comment from both Pension Board and ISC Members.

**2. Recommendation**

- 2.1 That the draft questions are approved and a questionnaire be circulated for completion.

### **3. Background**

- 3.1 The last review of Board effectiveness took place during 2013. The attached report contains potential questions that have been drafted by the Independent Governance & Administration Adviser, and are for discussion by the Board.
- 3.2 Once the questions have been approved by the Board, a questionnaire will be circulated for completion. It is anticipated that all responses will have been returned to the Independent Governance & Administration Adviser by the end of March 2015.

### **4. Background Papers**

- 4.1 The Review of Board & ISC effectiveness paper – March 2013

# Essex Pension Fund Strategy Board (PSB) and Investment Steering Committee (ISC)

## Maintaining Ongoing Governance Effectiveness

The last review of the Board and ISC's effectiveness took place in February 2013. This was conducted with a questionnaire which was drafted and circulated in February 2013 by the Independent Governance & Administration Adviser for completion by the Board and the ISC.

The summary feedback from that exercise was:

"The responses suggested the Board & ISC know what their objectives are and have the strategies and policies in place to achieve these. Members believed they collectively had sufficient knowledge, skill and understanding which together with the confidence they have in the professional advice they receive, enables them to make effective decisions and manage risk. Further, the Board and ISC have a good understanding of its accountabilities and how to build a business plan which is aligned with its objectives. Areas to review would include ensuring the Board does get the benefit of extended membership, whether or not actively seeking recognition for what it does is worth it and working to further streamline meetings and their agendas. Additionally, there appeared to be a presumption that intensive training would be provided to new members to get them up to speed as soon as possible to protect the integrity of the current Board & ISC which their members have worked so hard to establish. However, whilst the intent seems to be present, the existence of such training provisions should be reviewed carefully, especially given the imminent elections."

It is now approaching 2 years since the last effectiveness review and although the governance arrangements have been reassessed in the light of the new local pension board requirements it is time to seek feedback from the current Board and ISC to see where you think they are relative to the February 2013 Governance review both in terms of what has been achieved since and what you would still like to achieve going forward.

To seek responses, it is proposed to ask a similar set of questions as put forward in February 2013 and these are listed below. As before, Members would only be required to answer yes or no and be invited to provide additional comments. Members are invited to add any further questions they feel would add value to the exercise (one suggestion is given below) and to approve the exercise taking place with a view to the findings being discussed at the July Board meeting.

### Potential questions -

- 1 Do Members think that the Board has a demonstrable and suitably focused set of objectives against which it can now benchmark its performance?
- 2 Can Members cite any instances since February 2013 where failure to allocate suitable time in meetings to key issues has impacted its effectiveness with regard to strategic and policy issues?
- 3 Overall, do you think the meetings and additional training sessions have been pitched about right in terms of frequency, content and duration?
- 4 Pensions is an increasingly complex area; undergoing a significant period of change in the public sector and becoming subject to increasingly higher levels of regulatory scrutiny. Do you think the present level of pension induction training for new Board members remains adequate in light of this?

- 5 Do Members think that the Board substantially has sufficient confidence in the information and advice provided at meetings by all advisers and officers to make effective and timely decisions at meetings?
- 6 Do you know what steps you would expect the Board to take where for whatever reason, a group of experienced Board members left?
- 7 Imagine that a local TV station wanted to run a 2 minute interview with an Essex Pension Board Member on how the Board and ISC function together to manage Essex Pension Fund risks. Would you be content to have your name pulled at random from a “hat” to attend such an interview? *For the purposes of this question, ignore media skills.*
- 8 Again, in the local TV station interview scenario, would you be able to articulate what the Board’s responsibilities are to the Administering Authority, participating employers and Essex Pension Fund Membership?
- 9 Do you think the Board gets an appropriate level of appreciation from its stakeholders for the responsibility it takes for managing over £4.5bn of pension assets?
- 10 If a new Board member asked you for one piece of key advice about how to approach effective alignment of Board / ISC objectives and goals with business planning, could you provide this?
- 11 Do you think the Board could make one further material improvement to the format of its meetings and those of the ISC?

There would also be an opportunity, as before, for some general comments.