



Essex County Council

# Essex Pension Fund Strategy Board

<b>10:00</b>	<b>Wednesday, 23 September 2020</b>	<b>Online Meeting,</b>
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The meeting will be open to the public via telephone or online. Details about this are on the next page. Please do not attend County Hall as no one connected with this meeting will be present.

**For information about the meeting please ask for:**

Amanda Crawford, Compliance Manager

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## 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.

In accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting will be held via online video conferencing.

Members of the public will be able to view and listen to any items on the agenda unless the Committee has resolved to exclude the press and public from the meeting as a result of the likely disclosure of exempt information as defined by Schedule 12A to the Local Government Act 1972.

### How to take part in/watch the meeting:

**Participants:** (Officers and Members) will have received a personal email with their login details for the meeting. Contact the Compliance Team if you have not received your login.

### Members of the public:

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## Accessing Documents

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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 'Running the council', then on 'How decisions are made', then 'council meetings calendar'. 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.

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3	<b>Minutes of PSB Meeting 04 March 2020</b> To approve as a correct record the minutes of the Board meeting held on 04 March 2020	15 - 24
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<b>5</b>	<b>Essex Pension Fund Policies</b> To consider a report from the Interim Director for Essex Pension Fund in consultation with the Independent Governance & Administration Adviser	<b>29 - 64</b>
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<b>12</b>	<b>Schedule of Future Meetings and Events</b> To receive a report from the Compliance Manager	<b>253 - 256</b>
<b>13</b>	<b>Urgent Business</b> 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))

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

**That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to**

**the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.**

**14            Funding Update**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**15            LGPS Regulatory Reform**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**16            Pooling Update**

To receive a presentation by the Interim Director for Essex Pension Fund

**17            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.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 01</b>
<b>Date: 23 September 2020</b>	

## **Essex Pension Fund Strategy Board (PSB) Membership, Apologies and Declarations of Interest**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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### **1. Purpose of the Report**

- 1.1 To present Membership, Apologies and Declarations of Interest for the 23 September 2020 PSB.

### **2. Recommendation**

- 2.1 That the Board should note:

- Membership as shown opposite;
- Apologies and substitutions;
- The changes in the Conservative Substitute Member representatives; and
- Declarations of Interest to be made by Members in accordance with the Members' Code of Conduct and the Essex Pension Fund's Conflict of Interest Policy.

### **3. Membership**

(Quorum: 4)

11 members consisting of:

- seven Members of the Council;
- one Member representing District and Borough Councils in Essex;
- one Member representing Unitary Councils in Essex;
- one Member representing Scheme Members nominated by Unison; and
- one Member representing Other Employing Bodies nominated by the Employer Forum.

<b>Membership</b>	<b>Representing</b>
Councillor S Barker	Essex County Council (Chairman)
Councillor M Platt	Essex County Council (Vice Chairman)
Councillor A Goggin	Essex County Council
Councillor A Hedley	Essex County Council
Councillor M Maddocks*	Essex County Council
Councillor C Souter	Essex County Council
Councillor L Scordis	Essex County Council
Councillor M Dent	Southend-on-Sea Borough Council
Rachel Hadley	Other Employing Bodies
Councillor C Riley	Castle Point Borough Council
Sandra Child	Scheme Members

### **4. Changes to Substitute Membership Arrangements**

- 4.1 The Fund were notified during April 2020 that Councillor Andy Erskine has stepped down from his position as Conservative Group substitute for the Essex Pension Fund Strategy Board (PSB) and Investment Steering Committee (ISC).

- 4.2 On 1 May 2020, Councillor Mark Durham and Councillor Bob Massey were appointed as the new Conservative Group substitutes. However, during August 2020, the Fund were subsequently notified that Councillor Bob Massey has withdrawn as a substitute from the PSB and ISC.
- 4.3 Cllr Allan Davies is unaffected by this change and continues in his role as Labour Group substitute.

*\*Non-Aligned Group have indicated that they do not wish to take their place on this Committee so it is for the Council to decide the allocation. The Conservative Group, as the majority Group, have indicated that they wish to take the vacancy.*



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 02</b>
<b>Date: 23 September 2020</b>	

**Confirmation of the Annual Arrangements for the Appointment of the  
Chairman and Vice Chairman of the Essex Pension Fund and Terms of  
Reference**

Report by the Compliance Manager

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Enquiries to Amanda Crawford on 03330 321763

**1. Purpose of the Report**

- 1.1 To provide the Board with an update in regard to the annual arrangements of the appointment of the Chairman and Vice Chairman of the Essex Pension Fund.
- 1.2 To note the Board's Terms of Reference (ToR).

**2. Recommendation**

- 2.1 That the Board note:
  - the continuation of the Chairman and Vice Chairman current arrangements; and
  - the Essex Pension Fund Strategy Board (PSB) ToR, as set out overleaf in Appendix A to this report.

### **3. Background**

- 3.1 Each year at the Council's Annual Meeting the Essex County Council (ECC) Chairmen appointments are confirmed for the forthcoming municipal year. The PSB and Investment Steering Committee Chairman is then reaffirmed at their respective first meetings.
- 3.2 In addition, at this first meeting the Vice Chairman is also elected.
- 3.3 The Council's Annual meeting was due to take place in May 2020. Unfortunately, due to the circumstances around Covid-19, this meeting has been deferred to later in the municipal year.

### **4. Chairman and Vice Chairman Arrangements**

- 4.1 Fund Officers have been advised by Essex's Democratic Services Team, that all existing arrangements will remain in place until such time that the Annual Meeting can be held.
- 4.2 As such, Councillor Susan Barker and Councillor Mark Platt will continue to perform the role of Chairman and Vice Chairman of the Pension Fund respectively.

### **5. Terms of Reference (ToR)**

- 5.1 The ToR of the PSB, as reflected within the Constitution of ECC, are set out in Appendix A.
- 5.2 It is recommended that these are noted.

**Essex Pension Fund Strategy Board Membership**

There are 11 members including:

<b>All Voting* Members</b>	<b>How Nominated or Appointed</b>
7 Members of the Council	Appointed by the Council
1 Member Councillor representing Borough, City and District Councils in Essex	Nominated by Essex Borough and District Leaders/Chief Executives
1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils	Nominated jointly by and from either Southend-on-Sea and Thurrock Councils
1 member representing other Employing Bodies	Nominated by other employers at the employer forum or such other process as agreed by the Chairman and the Director for Essex Pension Fund and must be in the employment of or hold office in relation to an EPF employer.
1 member representing Scheme Members	Nominated by Unison and must be a member of the Essex Pension Fund

\*voting is subject to other provisions within this document.

The Constitution does not permit non Essex County Council members to have substitutes.

**Term of office**

<b>Members</b>	<b>Term of office</b>
7 Members of the Council	1 year as appointed at the annual meeting of the Council or as changed from time to time by the Constitution.
1 Member Councillor representing Borough, City and District Councils in Essex	4 years from the relevant Borough, City and District Council elections.
1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils	4 years from the relevant Unitary Council elections.
1 member representing other Employing Bodies	6 years from date of appointment.
1 member representing Scheme Members	6 years from date of appointment.

The term of office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any Board member may be re-appointed for further terms following the appropriate appointment process.

A member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the Pension Strategy Board if they cease to hold the office or employment which qualifies them for the role.

**Essex Pension Fund Advisory Board**

Members of the Pension Advisory Board are permitted to attend the Pension Strategy Board, including during any items of private business. Comments may also be made by these persons subject to permission to speak being granted by the Chairman. In accordance with the Fund's Conflicts of Interest Policy, a member of the Pension Advisory Board may be asked to leave the room during an item where they have a potential conflict of interest.

## **Role and Function**

The Board will exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Essex Pension Fund except where they have been specifically delegated by the Council to another Committee or to an officer. Its principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members. In doing so, the Board will take account of advice from the Director for Essex Pension Fund and the Fund's professional advisers.

The role of the Board will include the following specific functions:

- (i) to monitor and oversee the work of the Essex Pension Fund Investment Steering Committee through its quarterly reports;
- (ii) to ensure the proper administration of the Fund, including compliance with the Local Government Pension Scheme and other legislation, ensuring that it delivers best value and compliance with statutory and non-statutory best practice guidance where considered appropriate;
- (iii) to determine, review and monitor the Fund's aims, objectives, strategies, compliance statements and procedures relating to the funding strategy, including approving its Funding Strategy Statement;
- (iv) to make arrangements for the actuarial valuation, ongoing monitoring of liabilities and to undertake any asset/liability and other relevant studies as required;
- (v) to determine, review and monitor the Fund's policy in regard to employer admission and cessation arrangements;
- (vi) to determine, review and monitor the Fund's other aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund, including but not limited to administration, communications and governance;
- (vii) to determine how the various administering authority discretions are operated for the Fund;
- (viii) to agree Administering Authority responses to consultations by Central Government, professional and other bodies;
- (ix) to consider any views expressed by employing organisations and staff representatives;
- (x) to both appoint and terminate the appointment of the Fund's advisers, including actuaries, governance advisers and specialist lawyers (where required) and periodically to review those arrangements;
- (xi) to agree the Fund's business plans and monitor progress against them;
- (xii) to consider the Fund's financial statements and to approve an Annual Report on the activities of the Fund in line with legislation and guidance; and
- (xiii) to agree a Knowledge and Skills Policy and ensure its requirements are adhered to.

No matters relating to Essex County Council's responsibilities as an employer participating in the Essex Pension Fund are delegated to the Pension Strategy Board.



**Officers**

The Board may delegate a range of its functions to one or more officers of the Administering Authority. The Board will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Strategy Board. Any delegations the Board makes to officers should be notified to the Council's Monitoring Officer.

**Quorum**

A meeting of the Pension Strategy Board shall only be quorate when:

- i) At least 4 members are present, and
- ii) At least 3 of the members present are Essex County Council members.

**Chairman**

- (i) Only members of Essex County Council may be the Chairman and Vice-Chairman.
- (ii) The Chairman will be elected by the County Council at the annual meeting.
- (iii) The Vice-Chairman will be elected annually by members of Essex County Council at the Board.

**Training**

The Essex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Board and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.



## Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB) held in Committee Room 2, on 04 March 2020

### 1. Membership, Apologies and Declarations of Interest

The report of the Membership, Apologies and Declarations of Interest were received.

#### Membership

##### Present:

#### Essex County Council

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr A Hedley	
Cllr M Maddocks	
Cllr L Scordis	
Cllr C Souter	

#### District/Borough Councils in Essex

Cllr M Dent	Southend Borough Council
Cllr C Riley	Castle Point Borough Council

#### Scheme Member Representatives

Sandra Child (UNISON)

#### Other Employing Bodies

Jenny Moore

The following Officers and Advisers were also present in support:

Jody Evans	Interim Director for Essex Pension Fund
Sara Maxey	Employer Manager
Sam Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Marcia Wong	Compliance Officer
Karen McWilliam	Independent Governance & Administration Adviser (IGAA), AON
Barry McKay	Fund Actuary, Barnett Waddingham
Colin Dobbie	Fund Actuary, Barnett Waddingham

The following Essex Pension Fund Advisory Board (PAB) Members were present as Observers of the meeting:

Andrew Coburn	Scheme Member Representative
Stuart Roberts	Scheme Member Representative

Members noted that the meeting would be recorded to assist with the production of the minutes for the meeting.

The Chairman politely requested that the use of mobile phones be prohibited during the meeting.

Members were reminded that the Annual Related Party Transactions letters would soon be issued to Members for completion and that it would greatly assist Officers if they could be returned in a timely manner in order to assist with the Fund's year-end closure process.

### **Opening Remarks**

The Chairman welcomed the Members of the Board, Karen McWilliam, Barry McKay and Colin Dobbie, Fund Advisers along with PAB Members, Andrew Coburn and Stuart Roberts to the meeting.

To mark the occasion of Jenny Moore's last meeting as the Other Employing Body Representative, Cllr Barker, Chairman made a presentation in recognition of Jenny's contribution and commitment to the work of the Board since her appointment in January 2012.

### **Apologies for Absence**

It was noted that Cllr A Erskine (ECC substitute), along with PAB Members, Nicola Mark, Debs Hurst and James Sheehy were unable to attend the meeting.

### **Declarations of Interest**

Declarations were received from Cllr S Barker who stated she is in receipt of an Essex LGPS pension and that her son is also a member of the Essex LGPS. Cllr S Barker also declared that she sits on the Foreign Travel Committee.

Cllr M Platt declared that he is the Deputy Cabinet Member for Environment & Climate Change Action.

Cllr A Goggin stated that his wife, sister and brother-in-law were in receipt of an Essex LGPS pension.

Cllr A Hedley declared that he is in receipt of an AVIVA Group Pension.

Cllr M Maddocks, Cllr C Riley, Sandra Child and Jenny Moore declared they were also in receipt of an Essex LGPS Pension.

### **Resolved:**

The Board noted the report.

## **2. Minutes**

The minutes of the meeting of the PSB held on 18 December 2019 were approved as a correct record and signed by the Chairman.

Matters Arising:

Item 7 - The Chairman encouraged Members yet to watch the Valuation webinar to do so and to notify the Compliance Team accordingly to enable their training record to be updated.

Item 9 - It was noted that a verbal response had been received from Nicola Mark accepting her position as Independent Chairman on the PAB.

Cllr Dent enquired if the Investment Strategy Statement (ISS) consultation had been announced. It was confirmed that Board Members would be included in the communication when the ISS is released for stakeholder consultation.

## **3. 2019 Actuarial Valuation and Funding Strategy Statement (FSS)**

The Chairman suggested that Item 3b be taken ahead of 3a.

### **3b. 2019 Actuarial Valuation**

The Board received a presentation from Barnett Waddingham on the 2019 Valuation. The presentation covered the following areas:

- Purpose of the Valuation;
- Key outcomes;
- Assumptions; and
- Results.

The Board also received an update on exit credits.

#### **Resolved:**

The Board noted the presentation and update.

### **3a. 2019 Actuarial Valuation and Funding Strategy Statement (FSS)**

The Board received an update from the Employer Manager whereby Members were appraised on the progress of the 2019 Actuarial Valuation and on the recent consultation exercise undertaken on the draft Funding Strategy Statement (FSS).

It was confirmed that the Fund was on track to complete the Valuation, the Actuary to issue the Valuation Report and the FSS to be published by the statutory deadline of 31 March 2020.

It was noted that during the FSS consultation which had now closed, two comments had been received, one relating to minor grammatical suggestions and the other, a question regarding the potential impact of McCloud.

The Employer Manager, in light of the Valuation outcome and following conversations with the Fund Actuary, explained that the Funding Objectives had been revisited and proposed some suggested changes for the Board's approval.

Members were reminded about the Valuation Webinar training that was available for them to view.

**Resolved:**

The Board:

- approved the updated FSS for final publication;
- agreed the proposed amendments to the Fund's Funding Objectives; and
- noted the content of the report.

**4. Update on Pension Fund Activity**

The Board received an update from the Compliance Manager on the current Business Plan, Risk Register and Scorecard.

During the consideration of these items the following was highlighted:

- good progress had been made against the 2019/20 Business Plan with two actions completed, five actions on course to be completed by the end March 2020, with the remaining actions currently in progress to be carried forward to the 2020/21 Business Plan;
- one action would be removed from the Business Plan for 2020/21 as it is now reclassified as Business as Usual;
- two red risks on the Risk Register, one, an existing risk concerning the unknown surrounding the McCloud judgement and one, a new risk concerning the procurement of the BACS Cloud Solution;
- the scorecard improvement and declined scores.

An update was provided in regard to the BACS Cloud Solution project. It was explained that plans were being advanced to implement a mitigation plan. It was therefore envisaged that this risk rating would subsequently be downgraded at the next assessment.

The Compliance Manager also brought to the Board's attention that following the publication of a revised Essex County Council (ECC) Risk Strategy, an additional yellow risk rating colour had been introduced within the risk scoring matrix. This would result in the risks that are currently green or amber, scoring 4 or 6 respectively, being re-assessed and scored as yellow.

The Compliance Manager also apologised to the Board as the published scorecard measure relating to PSB and ISC Member's training was assessed

as amber. However, on further investigation, an error within the training log had been identified and the actual scores for both PSB and ISC Member's training was green.

**Resolved:**

The Board noted:

- progress for 2019/20 against the Business Plan;
- the actions being carried forward to the 2020/21 Business Plan;
- the current risks scoring Amber and Red; and
- the latest scorecard measures.

**5. Essex Pension Fund Three Year Business Plan 2020/21 to 2022/23**

The Board received a report from the Interim Director for Essex Pension Fund which introduced the Board to the Fund's new look Business Plan for 2020/21 to 2022/23 for their approval.

The Interim Director for Essex Pension Fund outlined the process undertaken to date and highlighted that Officers had taken on Board Members feedback in regard to content, format and presentation. As such, the Plan was designed to be more visually impactful rather than too prescriptive.

It was explained that the revised Business Plan had been expanded to include: key priorities; strategic goals; areas of activity; staff resourcing; financial implications; on the horizon challenges; and for the first time a Budget. These were all broken down into the Fund's five key areas of: Governance; Funding; Investments; Administration; and Communications.

Board Members expressed their appreciation to all those who had contributed towards the work of the Business Plan. The Interim Director for Essex Pension Fund confirmed that the Business Plan would be incorporated within the Annual Report and Accounts.

**Resolved:**

The Board approved:

- the Essex Pension Fund Three Year Business Plan for 2020/21 to 2022/23; and
- the Budget for 2020/21 of £4.62m as detailed in the Business Plan.

**Resolved:**

The Board noted:

- the revision to the 2020/21 Funding Objectives detailed in Agenda Item 3 and agreed for the amendments to be incorporated within the 2020/21 to 2022/23 Business Plan; and
- the content of the report.

**6. Essex Pension Fund (EPF) Policies**

The Board received a report from the Interim Director for Essex Pension Fund on the review of three of the Fund's Policies. These were:

- Conflict of Interest Policy – it was explained that this was a new Policy developed in consultation with ECC Monitoring Officer and was in line with suggested best practice and one of the recommendations to come out of the recent Good Governance Phase I Review.
- Governance Policy and Compliance Statement – it was explained that the Policy had been updated to include the revised Terms of References for the Fund's Boards/Committee and the revised Governance Structures.
- Communications Policy – it was explained that the Policy had been updated to reflect the greater use of digital channels that the Fund utilise when communicating to its Stakeholders.

**Resolved:**

The Board approved the:

- Conflict of Interest Policy;
- Governance Policy and Compliance Statement; and
- Communications Policy.

**Resolved:**

The Board noted the content of the report.

**7. Scheme Advisory Board (SAB) Good Governance Project**

The Board received a report from the Compliance Manager in consultation with the Independent Governance & Administration Adviser (IGAA) on the developments in regard to the SAB Good Governance Project.

The IGAA explained that as Statutory Guidance had not yet been issued, nine of the seventeen recommendations made within the Phase II Report could not yet be implemented by the Fund. However, from the self-assessment completed by Fund Officers, Members were informed that the Fund was already fully compliant against five of the recommendations made and were partially/mainly compliant against the remaining three recommendations.

The IGAA notified the Board that the Fund was in a strong position going forward.

**Resolved:**

The Board noted the report and update.

Barry McKay and Colin Dobbie, from Barnett Waddingham left the meeting at 11:59am.

**8. Arrangements for PSB Representatives**

The Board received a report and update from the Compliance Manager.



It was confirmed that Sandra Child had been reappointed as the UNISON Scheme Member Representative on the Board for a further term of six years.

The Compliance Manager notified the Board that two nominations had been received in regard to the Other Employing Bodies Representative vacancy. It was noted that both nominees had been contacted and asked to provide a short statement to enable online voting to commence week commencing 9 March 2020.

**Resolved:**

The Board noted:

- the reappointment of Sandra Child as the Scheme Member representative (UNISON) for a term of six years; and
- the update in relation to the recruitment process for the Other Employing Bodies Representative vacancy.

**9. Investment Steering Committee (ISC) Quarterly Report**

The Board received a report from the Investment Manager which provided details on the ISC activity since the previous Board meeting.

It was noted that the ISC had met on one occasion on 19 February 2020 where the Committee received bitesize training presentations from Hymans Robertson on Timberland and Private Lending.

The main areas of business discussed were the development of the draft Responsible Investment (RI) Policy, to be included as part of the Investment Strategy Statement (ISS) and the Strategic Allocation Structure Review.

A number of decisions were made at this meeting and these were detailed within the report.

It was also noted that further consideration was required in regard to Stage 3 strategic allocation options.

**Resolved:**

The Board noted the report and update.

**10. Pension Advisory Board (PAB) Quarterly Report**

The Board received a report from the Compliance Manager which provided an update on the PAB activity since the previous Board meeting.

It was noted that the PAB had met on one occasion on 15 January 2020 and that the main areas of business were the review of the last PSB meeting, the PAB Review, Business Continuity Plan review update and the self-assessment undertaken against the Pensions Regulator (tPR) Code of Practice 14.

It was noted that the PAB next meeting would take place on 17 June 2020 after the PSB meeting.

**Resolved:**

The Board noted the report and update.

**11. Schedule of Future meetings**

The Board received a report from the Compliance Manager detailing the remaining planned Committee meeting for this municipal year along with the planned Board and Committee meetings for 2020/21.

It was reconfirmed that the ISC meeting on 25 March 2020 would commence at 1.00pm.

Members were also reminded that Board and Committee meetings for 2020/21 would all commence at 10.00am unless otherwise stated.

The Compliance Manager notified the Board of the events/conferences that were on the horizon. Members were advised to contact the Compliance Manager if they would like to attend any of the events discussed, by the given deadlines in order for approval of travel to be sought from the Foreign Travel Committee if required.

Investment Steering Committee

25 March 2020 – 1.00pm

21 July 2020 – 11.00am

21 October 2020 – 10.00am

20 January 2021 – 10.00am

24 March 2021 – 10.00am

Pension Strategy Board

17 June 2020 – 10.00am

23 September 2020 – 10.00am

16 December 2020 – 10.00am

17 March 2021 – 10.00am

Training Days

1 July 2020 – 10am-4pm

4 November 2020 – 10am-4pm

The Board noted that PAB meetings would be held on the same day as the PSB and would commence once the PSB had concluded.

**Resolved:**

The Board noted the schedule of meetings and events for the remainder of 2019/20 and the schedule of meetings and events for 2020/21.

## 12. Urgent Part I Business

The Interim Director for Essex Pension Fund was pleased to announce that following the Fund being shortlisted for three Pension Age Awards, it had been successful in winning the Best Risk Management Exercise Award.

**Resolved:**

The Board noted the achievement and asked for their congratulations to be passed on to the Pension Fund Team.

### **Exclusion of the Public and Press**

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

**Resolved:**

The Chairman brought to the attention the above Statement and the Board agreed to proceed.

## 13. Cessation Payment Plan

The Board received a report and update from the Employer Manager on the revised cessation valuation and payment plan for two employers.

**Resolved:**

The Board agreed:

- a legal agreement be formalised for the proposed payment plan outlined in the report;
- Fund Officers to monitor the payment plan on an ongoing basis; and
- a review to take place at the 2022 Valuation.

**Resolved:**

The Board noted the report and update.

## 14. Pooling Update

The Board received a presentation and update from the Interim Director for Essex Pension Fund on the latest developments in respect of the structural reform of the LGPS.

The Chairman provided an update on the meeting held between each Pool's Joint Committee Chairmen and the Scheme Advisory Board Chairman during January 2020.

It was noted that the next Joint Committee meeting would be held on 9 March 2020 and the Chairman accompanied by the Interim Director for Essex Pension Fund would be in attendance.

**Resolved:**

The Board noted the update.

**15. Urgent Exempt -Business**

None.

**16. Closing Remarks**

The Chairman reaffirmed that the next PSB would take place on Wednesday 17 June 2020 at 10am.

There being no further business the meeting closed at 12:18pm.

**Chairman**  
**23 September 2020**

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04</b>
<b>Date: 23 September 2020</b>	

## **Arrangements for Other Employing Body PSB Representative**

Report by the Compliance Manager

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Enquiries to Amanda Crawford 03330 321763

### **1. Purpose of the Report**

- 1.1 To update the Board on the process undertaken and outcome of the recruitment for the PSB's Other Employing Bodies Representative.

### **2. Recommendation**

- 2.1 That the Board note the update and outcome in relation to the recruitment process for the Other Employing Bodies Representative.

### **3. Background**

- 3.1 The Board were notified at the July 2019 meeting that the incumbent Other Employing Bodies Representative would be retiring during the summer of 2019 and would not be able to carry on with their role on the PSB after the 11 September 2019 meeting.
- 3.2 Members of the Board agreed at their 11 September meeting to extend the term of the incumbent (whilst they continued to assist their Employer with ad hoc support), thus providing consistency throughout the Fund's 2019/2020 Valuation process. The incumbent agreed to continue until the March 2020 meeting of the Board.
- 3.3 The Board approved the recruitment process to be undertaken for a replacement at their 18 December 2019 meeting.

### **4. Update on recruitment activity**

- 4.1 A communication was issued to all eligible employers on 6 January 2020 inviting nominations. The Fund was simultaneously contacting all employers to consult on the Funding Strategy Statement, so approval was sought to use this as an opportunity to further advertise the vacancy.
- 4.2 It was agreed that the deadline for nominations be extended to 29 February 2020. Two nominations were received from Danny Ireland, Trading Standards Institute and Rachel Hadley, Chelmer Housing Partnership (CHP).
- 4.3 In line with the agreed revised timetable approved by the Board at their 04 March 2020 meeting, a communication was issued to all eligible employers on 11 March 2020 inviting them to vote.
- 4.4 Voting was due to close on 25 March 2020, however in view of Covid-19, the deadline was extended to 30 April 2020.
- 4.5 In addition, Officers provided the opportunity for employers to notify the Fund of any issues that had affected their ability to vote due to Covid-19 by 31 May 2020.
- 4.6 As of 01 June 2020, no issues had been reported to the Fund.

## **5. Results**

- 5.1 Thirteen votes were received, with a majority in favour of Rachel Hadley, CHP. Rachel has been appointed as the Other Employing Bodies PSB Representative effective from 02 June 2020 for a term of six years.

## **6. Link to Essex Pension Fund Objectives**

- 6.1 Fulfilling the Other Employing Body Representative vacancy on the PSB will assist in the Board in achieving the following Fund objectives:
- Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice;
  - Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise; and
  - Act with integrity and be accountable to our stakeholders.

## **7. Risk Implications**

- 7.1 Failure to include a representative of Other Employing Bodies in the Board's membership could result in:
- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss;
  - A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables; and
  - Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

## **8. Communication Implications**

- 8.1 Other than ongoing reporting to the PSB, there are no communication implications.

## **9. Finance and Resource Implications**

- 9.1 Budgetary provision will need to be made for the payment of appropriate expenses to the Other Employing Bodies Representative.

## **10. Background Papers**

- 10.1 Arrangements for PSB Representatives, PSB 08, 04 March 2020.
- 10.2 Arrangements for Other Employing Bodies Representative, PSB 04.a, 18 December 2019.
- 10.3 Arrangements for Other Employing Bodies Representative, PSB 07, 11 September 2019.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 05</b>
<b>Date: 23 September 2020</b>	

## **Essex Pension Fund (EPF) Policies**

Report by the Interim Director for Essex Pension Fund in consultation with the Independent Governance & Administration Adviser (IGAA)

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Enquiries to Jody Evans on 0333 0138 489

### **1. Purpose of the Report**

1.1 To provide the Board with the:

- new Policy for Recording and Reporting Breaches of the Law; and
- new Risk Strategy.

1.2 To provide the Board with the progress in regard to the revised Knowledge and Skills Strategy for Board/Committee Members.

### **2. Recommendations**

2.1 That the Board **approve** the:

- Policy for Recording and Reporting Breaches of the Law; and
- Risk Strategy.

2.2 That the Board note the:

- progress of the Knowledge and Skills Strategy for Board/Committee Members; and
- content of the report.

### **3. Background**

#### **Policy for Recording and Reporting Breaches of the Law**

- 3.1 The overriding requirements in relation to the recording and reporting Breaches of the Law in relation to Local Government Pension Scheme (LGPS) funds are contained in various elements of legislation and guidance, including:
- Section 70(1) and 70(2) of the Pensions Act 2004; and
  - The Pensions Regulator's Public Service Pension Code of Practice.
- 3.2 The Pensions Regulator's Code of Practice says "identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including Scheme Managers and Pension Board Members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations".

#### **Risk Strategy**

- 3.3 The management of risk is key to good governance and the development of an overarching Risk Strategy outlining the principles of risk management adopted by the Fund will further strengthen its governance.
- 3.4 Guidance for LGPS funds is contained in:
- the Chartered Institute of Public Finance and Accounting (CIPFA) Managing Risk in the LGPS ; and
  - the Pensions Regulator (tPR) Code of Practice.
- 3.5 The purpose of a risk strategy is to explain the Fund's approach and outline the principles of risk management. Good Governance is at the heart of the Fund's approach to Risk Management and by identifying and managing risk through an effective risk management strategy, the Fund can:
- demonstrate best practice in governance;
  - improve financial management;
  - minimise the risk and effect of adverse conditions;
  - identify and maximise opportunities that might arise; and
  - minimise threats, including reputational damage.

### Knowledge and Skills Strategy for Board/Committee Members

- 3.6 The development of a knowledge and skills strategy will aid Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) Members in performing and developing personally in their individual roles, with the ultimate aim of ensuring the Fund is managed by individuals who have appropriate levels of knowledge and skills.
- 3.7 CIPFA launched technical guidance for Representatives on Pension Fund Committees (PSB/ISC) and Local Pension Board (PAB) Members within a knowledge and skills framework and The Pensions Regulator (tPR) Code of Practice 14: Governance and administration of public service pension schemes came into legal effect on 1 April 2015.
- 3.8 A further review of the Knowledge and Skills Strategy will be carried out within 2020/21 when the outcomes of various reviews have been announced. This includes:
- New CIPFA Code / Framework;
  - TPR Code of Practice 14 review to become the Singular Modular Code;
  - Review of tPR online Toolkit; and
  - Revised requirements for the Governance Compliance Statement from Ministry of Housing, Communities and Local Government (MHCLG) on the back of the Good Governance project.
- 3.9 The Knowledge and Skills Strategy will then be further amended to incorporate any changes from the above named reviews and will be brought back to the Board for further approval.

## **4. Development of the EPF Policies**

### Policy for Recording and Reporting Breaches of the Law

- 4.1 Members and Officers have, and will continue, to comply with the Essex County Council (ECC) Code of Conduct which includes requirements and procedures where matters relating to Council business are unlawful or where there has been a breach of a Council's policy or procedure.

- 4.2 However, one of the conclusions of tPR's deep dive report<sup>1</sup> into the governance and administration arrangements of 10 LGPS funds was that "it is important that Scheme Managers recognise, and maintain, a separation between the Fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures."
- 4.3 In addition, the ECC's Code of Conduct does not encompass those Members who sit on the PAB who are not ECC Members or Officers.
- 4.4 Fund Officers, in consultation with the Independent Governance & Administration Adviser (IGAA), have therefore produced the draft Policy for Recording and Reporting Breaches of the Law at Appendix A (with linked documents at Appendices Ai and Aii to this report) for approval by the Board. This Policy provides further clarity on how breaches of the law in relation to Essex Pension Fund can be dealt with.
- 4.5 The Pensions Regulator's Code of Practice says that Breaches policies should be kept under regular review.

#### Risk Strategy

- 4.6 The Fund has adopted the principles contained in CIPFA's Managing Risk in the LGPS document and tPR's code of practice in relation to the Fund. In addition, this strategy has been developed incorporating the link to ECC and their Risk Strategy that was published during January 2020.
- 4.7 The Strategy has also been developed in line with 4.2 to avoid an over-reliance on ECC's policies and procedures.
- 4.8 This Risk Strategy demonstrates how the Fund's internal controls are monitored and reported to the PSB and PAB and is attached at Appendix B for the Boards approval.

#### Knowledge and Skills Strategy for Board/Committee Members

- 4.9 Fund Officers have reviewed the Knowledge and Skills Strategy and have developed a revised Strategy to incorporate CIPFA, tPR, Markets in Financial Instruments Directive (MiFID II) requirements and Ministry of Housing, Communities and Local Government (MHCLG) Statutory Governance Guidance.

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<sup>1</sup> September 2019 - <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#0beb0d2047954672b2a73de451ef7eab>

- 4.10 To ensure the Strategy is embedded, individual training plans will be developed on completion of the Training Needs Analysis, to plan the required training over a two-year rolling programme.
- 4.11 Training plans will be delivered through a variety of methods including:
- One-to-One Briefings with an Officer;
  - Members' Briefing Notes for meetings;
  - Bitesize training at meetings;
  - In-house Training Events / Workshops;
  - External Conferences & Training Seminars; and
  - E-Learning / Webinars.
- 4.12 A draft of the Knowledge and Skills Strategy has been provided at Appendix C of this report for the Board to note the progress to date.

## **5. Link to Essex Pension Fund Objectives**

### Policy for Recording and Reporting Breaches of the Law

- 5.1 Developing and publishing a Breaches Policy will assist the Board in achieving the following Fund objectives:
- Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice;
  - Act with integrity and be accountable to our stakeholders; and
  - Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

### Risk Strategy

- 5.2 Developing and publishing a Risk Strategy will assist the Board in achieving the following Fund objectives:
- Act with integrity and be accountable to our stakeholders;
  - Understand and monitor risk and compliance;
  - Continually measure and monitor success against our objectives.

## Knowledge and Skills Strategy for Board/Committee Members

5.3 Developing and publishing a Knowledge and Skills Strategy for Board/Committee Members will assist the Board in achieving the following Fund objectives:

- Act with integrity and be accountable to our stakeholders;
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise; and
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented.

## **6. Risk Implications**

### Policy for Recording and Reporting Breaches of the Law

6.1 Failure to develop and publish a Breaches Policy could result in:

- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss;
- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage; and
- Failure to comply with General Data Protection Regulation (GDPR) and keep data secure, leading to reputational issues or legal/financial penalties.

### Risk Strategy

6.2 Failure to develop and publish a Risk Strategy could result in:

- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage;
- New risks are not identified or risk register is not kept up to date; and
- Inadequate, inaccurate or misrepresented management information leads to financial loss or reputational damage.

## Knowledge and Skills Strategy for Board/Committee Members

### 6.3 Failure to develop and publish a Knowledge and Skills Strategy for Board/Committee Members could result in:

- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage;
- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables; and
- The implementation of MiFiD II (January 2018) leads to the Fund being categorised by some / all of its service providers as a 'retail client' - the result of which could reduce the range of sub asset classes in which the Fund is able to invest, and may even require disinvestment from the current portfolio.

## **7. Communication Implications**

- 7.1 The Policy for Recording and Reporting Breaches, Risk Strategy and Knowledge and Skills Strategy for Board/Committee Members will be published on the Fund's website.
- 7.2 Other than ongoing reporting to the PSB, there are no communication implications.

## **8. Finance and Resource Implications**

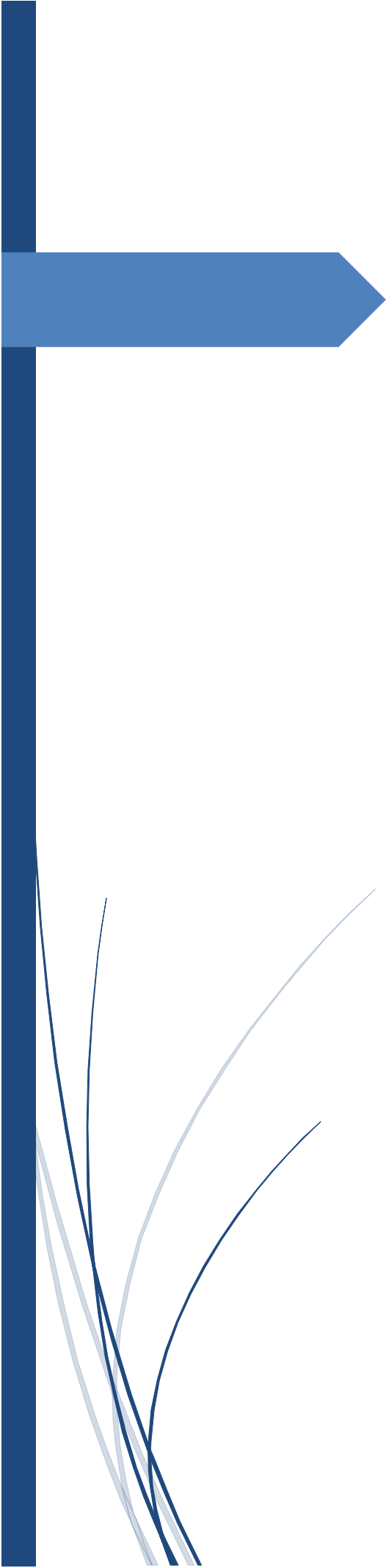
- 8.1 None.

## **9. Background Papers**

- 9.1 None.







# Policy for Recording and Reporting Breaches of the Law

September 2020

# Essex Pension Fund

## Background and Introduction

This Policy sets out the procedure to be followed by certain persons involved with the Essex Pension Fund (the “**Fund**”) in relation to identifying, recording and where necessary reporting breaches of the law to The Pensions Regulator (the “**Regulator**”).

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment-related decisions.

The procedure set out in this Policy has been developed to:

- assist the Fund in ensuring it is aware of all breaches of the law in relation to the Fund and that these are appropriately recorded and then dealt with; and
- assist those individuals who have a legal responsibility to report certain breaches to the Regulator in determining whether a breach they have identified should be reported.

## Requirements and to whom this Policy applies

The following persons, or any other person who has responsibility to report breaches of the law in relation to the Fund, are strongly encouraged to follow this Policy should they identify such a breach:

- all members of the Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB);
- all Officers involved in the management or administration of the Fund including the Fund's Management Team, Director for Essex Pension Fund, the Monitoring Officer and the Executive Director Finance and Technology (Section 151 Officer);
- any professional Advisers or Suppliers including, Actuaries, Investment Institutional Consultants, Independent Investment Advisers, Governance and Administration Advisers, Legal Advisers, Fund Custodians, Investment Managers and Administration Software Providers<sup>1</sup>;
- Internal and External Auditors;
- Officers of Employers participating in the Fund who are responsible for pension matters.

Throughout this Policy, any person to whom this Policy applies, as a result of them identifying a breach or potential breach, will be referred to as the "individual".

An individual has a legal responsibility to report a matter to the Regulator as soon as is reasonably practicable if they have reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with; **and**
- (b) the failure to comply is likely to be of material significance to the Regulator.

However, under this Policy, the individual would be expected to report the matter to the Director for Essex Pension Fund or Technical Hub Manager for their assistance in the first instance, provided

<sup>1</sup> However, these Advisers should note that the application of this Policy relates to the reporting of legal breaches relating to the administration of the Fund, rather than any breaches relating to their role and responsibilities that do not affect the administration of the Fund. For example, if an investment manager has breached the investment association guidelines, then this would not be reportable under this Essex Pension Fund Policy for Reporting Breaches (but the Administering Authority would still expect this information to be recorded separately and notified to it).

that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

A person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Pensions Act 2004 (the “Act”) overrides any other duties the individuals listed above may have. However, the duty to report does not override ‘legal privilege<sup>2</sup>’.

Practical guidance in relation to this legal requirement is provided in the [Regulator’s Code of Practice](#) including in the following areas:

- implementing adequate procedures to consider and record breaches;
- judging whether a breach must be reported;
- submitting a report to the Regulator;
- whistleblowing protection and confidentiality.

Even where a breach of the law is not required to be reported, it is important that it is notified to the Director for Essex Pension Fund or the Technical Hub Manager so that it can be assessed and recorded.

## Essex Pension Fund Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess, record and report (if appropriate) a breach of the law relating to the Fund. It reflects the guidance contained in the Regulator’s Code of Practice.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

There are four key steps to this procedure:

Understanding  
the law and  
what is a breach

Individuals may need to refer to regulations and guidance when considering whether or not there has been a breach of the law. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004;
- Employment Rights Act 1996;
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations);
- Public Service Pension Schemes Act 2013;
- Local Government Pension Scheme Regulations pre 2014 schemes and 2014 scheme; and
- The Pensions Regulator’s Code of Practice.

Further guidance and assistance can be provided by the Director for Essex Pension Fund, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

<sup>2</sup> Legal privilege means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

Determining whether a suspected breach is an actual breach

Individuals need to have reasonable cause to believe that a breach of the relevant legal provision has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Director for Essex Pension Fund, Technical Hub Manager or other Management Team member who are able to explain what has happened. However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority; in these cases, the Regulator should be contacted without delay.

Determining whether the breach is likely to be of material significance and so should be reported to the Regulator

Should an individual have reasonable cause to believe that a breach of the law has occurred, they must then decide whether that breach is likely to be of material significance to the Regulator, and therefore should be reported to the Regulator. To do this, an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The Director for Essex Pension Fund can assist with determining whether the breach should be reported and can also assist in completing the document to report the breach. However, the individual is ultimately responsible for determining what should be included in the report and for submitting the report to the Regulator.

Recording the breach, even if it is not reported, so that remedial steps can also be monitored

The Director for Essex Pension Fund will maintain a log of all breaches identified and the breaches log may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Therefore, individuals should provide the following information to the Director for Essex Pension Fund so that all identified breaches can be recorded:

- copies of reports submitted to the Regulator; and
- copies of information relating to any other breach the individual has identified.

A key purpose of the breaches log is to ensure there is a clear record of what action has been taken to resolve that breach but also to ensure that the necessary controls have been put in place to ensure that the breach does not reoccur.

Further details on the above four considerations in determining the significance of a breach can be accessed [here](#).

In addition, the individual should use the [traffic light framework](#) to help assess the material significance of a breach and to formally support and document their decision.

Where a breach has been identified relating to the Fund, including a breach identified by a Supplier or Adviser, the individual in relation to the identification of the breach must alert the Director for Essex Pension Fund immediately. They must produce a preliminary report setting out an assessment of the breach. The preliminary assessment must contain;

- the circumstances leading to the breach;
- the impact and scale of the breach, both financial and with regard to the impact of service on members or other affected persons/organisations;
- the steps that have been taken to rectify the breach; and
- a preliminary assessment, based on the Regulator's traffic light flowchart, of the materiality of the breach.

The Director for Essex Pension Fund can assist with the production of this report.

For the avoidance of doubt all breaches of the law (regardless of whether they are deemed material) must be reported to the Director for Essex Pension Fund in this way.

## Reporting a breach to the Essex Pension Fund and Pensions Regulator

Reports must be submitted to the Director for Essex Pension Fund, [Jody.evans@essex.gov.uk](mailto:Jody.evans@essex.gov.uk) and copied to the Fund's Technical Hub Manager [David.tucker@essex.gov.uk](mailto:David.tucker@essex.gov.uk).

The Act and the Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable.

If the individual decides the breach is of material significance to the Regulator, reports must also be submitted in writing via the Regulator's online system at <https://login.thepensionsregulator.gov.uk>, or by post, or email and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Further details on how to report can be found on the Pensions Regulator website <https://thepensionsregulator.gov.uk>.

## Confidentiality

If requested, the Regulator will do its best to protect the identity of an individual who has reported a breach and will not disclose information except where it is lawfully required to do so.

An employee may also have protection under the Employment Rights Act 1996 if they make a report in good faith in relation to their employer.

## Reporting to the Essex Pension Fund Strategy Board

Material breaches which have been reported to the Regulator will be included within the Fund's Scorecard and reported to the PSB on a quarterly basis.

## Training

The Director for Essex Pension Fund will ensure that all relevant Officers and Members of the PSB, ISC and PAB receive appropriate training on this Policy at the commencement of their employment or appointment to the PSB or PAB as appropriate and on an ongoing basis.

Suppliers and Advisers must ensure that all staff with responsibilities in relation to the Fund receive appropriate training with regard to this Policy and their obligations under it. They must advise the Director for Essex Pension Fund immediately if they do not feel they have the appropriate training to discharge their responsibility, and training will be arranged for them by the Director for Essex Pension Fund.

## Approval and Review

This Recording and Reporting Breaches Policy was approved on 23 September 2020 by the PSB. It will be formally reviewed and updated by the PSB at least every three years or sooner if breaches arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

## Further Information

If you require further information about reporting breaches or this Policy or wish to discuss reporting a breach, please contact:

David Tucker, Technical Hub Manager, Essex Pension Fund  
Email – [David.tucker@essex.gov.uk](mailto:David.tucker@essex.gov.uk)

Jody Evans, Interim Director for Essex Pension Fund  
Email – [Jody.evans@essex.gov.uk](mailto:Jody.evans@essex.gov.uk)

Essex Pension Fund  
Seax House  
County Hall  
Chelmsford  
Essex  
CM1 1QH

## Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

### The cause of the breach

Examples of causes which are likely to be of concern to the Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to the Regulator or not) which when taken together may become materially significant

### The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to the Regulator in the context of the LGPS are given below:

- PSB/ISC/PAB members not having sufficient knowledge and understanding, resulting in them not fulfilling their roles, resulting in the Fund not being properly governed and administered and/or breaching other legal requirements
- Conflicts of interest of PSB, ISC and PAB members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the Fund and/or breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the Fund being poorly governed, managed or administered

## The reaction to the breach

A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

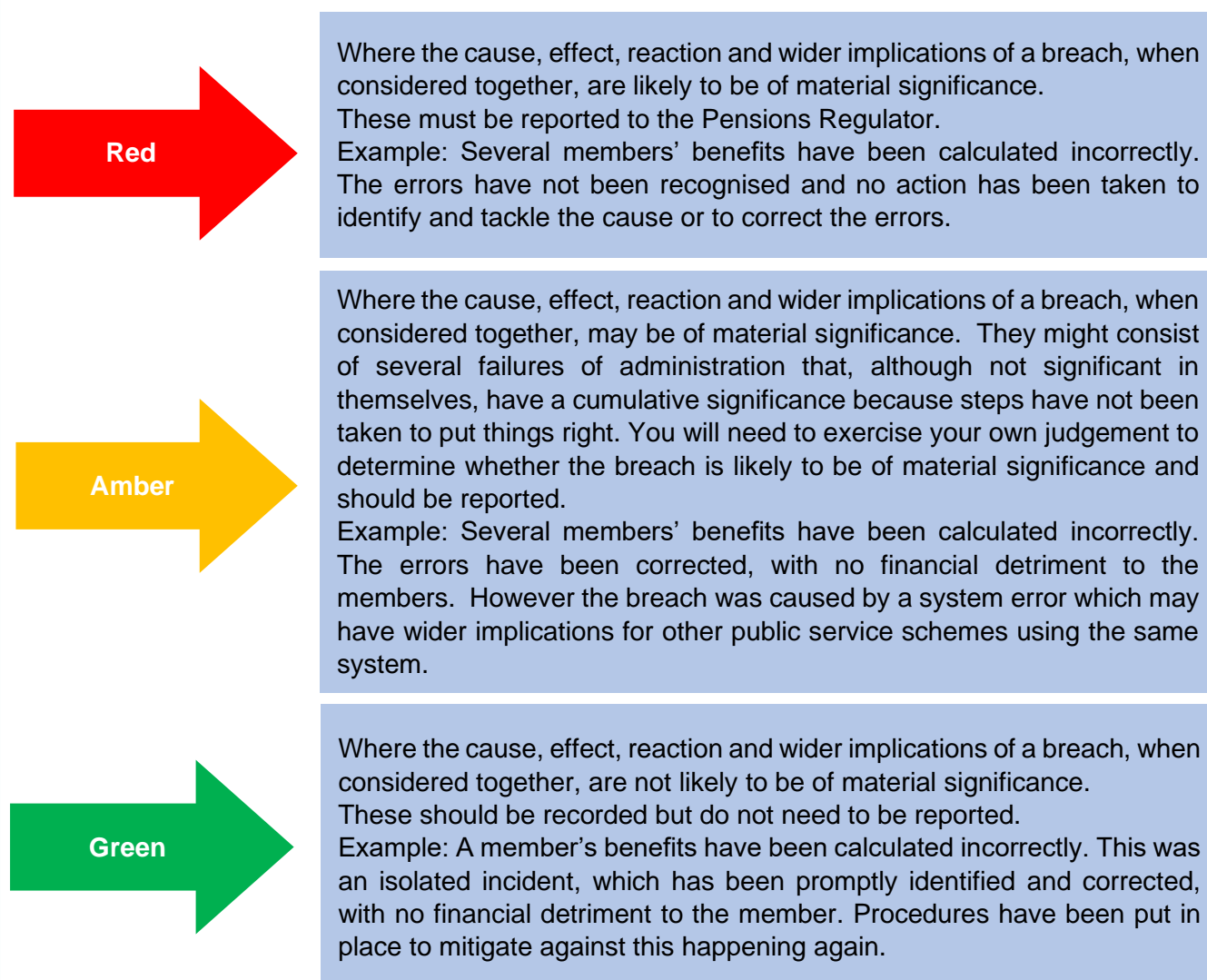
## The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to the Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.



## Traffic light framework for deciding whether or not to report

The Administering Authority recommends those responsible for reporting to use the traffic light framework when deciding whether to report to the Regulator. This is illustrated below:



All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by the Regulator at the following link <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/ps-reporting-breaches-examples-traffic-light-framework.ashx>





# Risk Strategy

September 2020

# Essex Pension Fund

## Background and Introduction

This Strategy sets out the Risk Management Strategy for the Essex Pension Fund (the “**Fund**”), part of the Local Government Pension Scheme (LGPS). It has been developed in accordance with the guidance set out within:

- the Chartered Institute of Public Finance and Accounting (CIPFA) Managing Risk in the LGPS;
- CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities; and
- the Pensions Regulator (tPR) Code of Practice.

The purpose of this Strategy is to explain the Fund’s approach and outline the principles of risk management. Good Governance is at the heart of the Fund’s approach to Risk Management and by identifying and managing risk through an effective risk management strategy, the Fund can:

- demonstrate best practice in governance;
- improve financial management;
- minimise the risk and effect of adverse conditions;
- identify and maximise opportunities that might arise; and
- minimise threats, including reputational damage.

## To whom this Policy applies

This Risk Management Strategy applies to all Members of the Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC), Pension Advisory Board (PAB), including both Scheme Member and Scheme Employer Representatives. It also applies to all employees including Senior Officers involved in the management of the Fund.

Advisers and Third-Party Suppliers of the Fund are also expected to be aware of this Strategy and will assist the Fund in meeting the objectives of this Strategy.

## Expectations

### PSB / ISC

- Ensure consideration of risk in agreeing the Fund's Objectives that feeds into the Three Year Business Plan
- Ensure Risk Management training is carried out in accordance with the Fund's Training Strategy
- Review the Full Risk Register on an annual basis with high level risks reviewed quarterly
- Oversee delivery of the Risk Management Strategy

### S151 Officer / Director for Essex Pension Fund

- Set the tone from the top and promote the benefits of Risk Management
- Overall accountability for the effective delivery of the Fund's Risk Register and the Risk Management Strategy

### The Fund's Management Team

- Escalate risks up to strategic level when required
- Take ownership for risks and ensure the Risk Register is regularly discussed, reviewed and updated
- Work together with the Compliance Team to identify new or emerging risks
- Record and manage risks effectively by owning risks or delegating ownership where appropriate

### Managers at all levels

- Ensure staff have appropriate understanding of their role in Risk Management and attend suitable training, including Essex County Council's (ECC) e-learning

### Compliance Team

- Ensure compliance with best practice
- Provide support and facilitate Risk Management for the Fund
- Take ownership for maintaining the Fund's Risk Register and feeding into ECC's Strategic Risk Register

### Fund Officers / Employees

- Manage risk as part of their role and report risks to their managers
- Develop an understanding of Risk Management through completion of the ECC e-learning and attendance at any training required

### PAB

- Act as a 'critical friend' to the PSB in providing oversight of the Fund's Risk Management

## Application to the Fund

The Fund's Objectives and the associated risks have been identified by the PSB.

The risks identified have been split across five key areas; Governance, Funding, Investments, Administration, and Communications and are assessed in terms of its impact on the Fund, reputation, stakeholders including Employers, PSB and ECC as the Administering Authority, along with the likelihood of the risk occurring.

The PSB ensures the risks are managed in accordance with this Strategy.

## Risk Management Process

The Risk Management process adopted by the Fund follows that of ECC which is broadly based on the International Standard in Risk Management – 'ISO 31000'.

The Fund follows a five-step Risk Management Process to identify new risks. The process is viewed by the Fund holistically along with the activities of communicating, consulting, embedding and reviewing and is integral to the good governance of the Fund.

Risks are identified by a number of means including, but not limited to:

- Regular risk assessment sessions involving officers of the Fund;
- Review of the risk register by the PSB;
- Performance measurement against agreed objectives;
- Monitoring against the Fund's Business Plan; and
- Findings of internal and external audit and other adviser reports.

Consideration of new risks are kept under regular review and is imbedded in the Fund's business planning phase, as risks identified could impact on the Fund's ability to meet the objectives set out in its Business Plan. All risks are assigned a target risk score, control measures and a risk owner.

Identified risks, evaluation and mitigations are managed through the Fund's Live Risk Register.



## Measurement of Risk - Risk Matrix

A risk matrix is a key tool used to analyse the probability and impact of a risk. This is used for both the assessment of the 'current' score and the 'target' score. The Fund uses a 4X4 Risk Matrix, with the score determined by multiplying the 'probability' score with the 'impact' score. The Fund have adopted this approach as it encourages a decision to be made about whether a probability or impact is either high or low, rather than medium.

Four colours correlate with the four categories of low, medium, high and very high as detailed in the below diagram. Scoring risks allows them to be compared with other risks and enables risk owners to prioritise and allocate more resources to those risks posing the greatest threat to not meeting the Fund's Objectives.

**Risk Matrix (Threats)**

			Impact/Consequences			
			Minor	Moderate	Major	Critical
			1	2	3	4
Probability	4	Almost Certain	Medium (4)	High (8)	Very High (12)	Very High (16)
	3	Likely	Low (3)	Medium (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	Medium (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Low (3)	Medium (4)

The probability is assessed using the table below:

Probability (or likelihood) of threat occurring within the next 12 months		
4	Almost Certain	The event is expected to occur in most circumstances > 80%
3	Likely	More likely to occur than not: 51% to 80%
2	Possible	Fairly likely to occur: 21% to 50%.
1	Unlikely	Low but not impossible: 1% to 20%

The impact is assessed using the table below:

Risk Rating	Consequences	Action Required	Recommended review periods
Very High 12-16	Severe impact Unacceptable threat	Immediate action required to minimise threat	3 monthly minimum, owners' discretion if more frequent
High 8-9	Significant impact Considerable threat	Action(s) required within 3 months to minimise threat.	3 monthly minimum, owners' discretion if more frequent
Medium 4-6	Manageable threat Moderate impact	Action(s) in place to manage this threat and to be monitored at least 6 monthly	3-6 monthly minimum, owner's discretion
Low 1-3	Light impact Acceptable threat	Content to accept this risk, but monitor every 3-12 months to ensure no changes	3-12 monthly minimum, owner's discretion

## Reporting to the Essex Pension Fund Strategy Board

The Risk Register is a live document and is maintained, reviewed and updated on a continual basis.

The Full Risk Register is formally reviewed annually by the PSB. In addition, high and very high risks (those scored above 8) are reported on a quarterly basis along with details of any new risks identified. Risk Management information is also shared with the PAB periodically.

## Approval and Review

This Risk Strategy was approved on 23 September 2020 by the PSB. It will be formally reviewed and updated by the PSB at least every three years or sooner if Risk Management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

## Further Information

If you require further information about the Fund's approach to Risk Management, or the documents referred to within this Strategy, please contact:

Amanda Crawford, Compliance Manager, Essex Pension Fund

Email – [Amanda.crawford@essex.gov.uk](mailto:Amanda.crawford@essex.gov.uk)

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# Knowledge and Skills Strategy for Board/Committee Members

September 2020

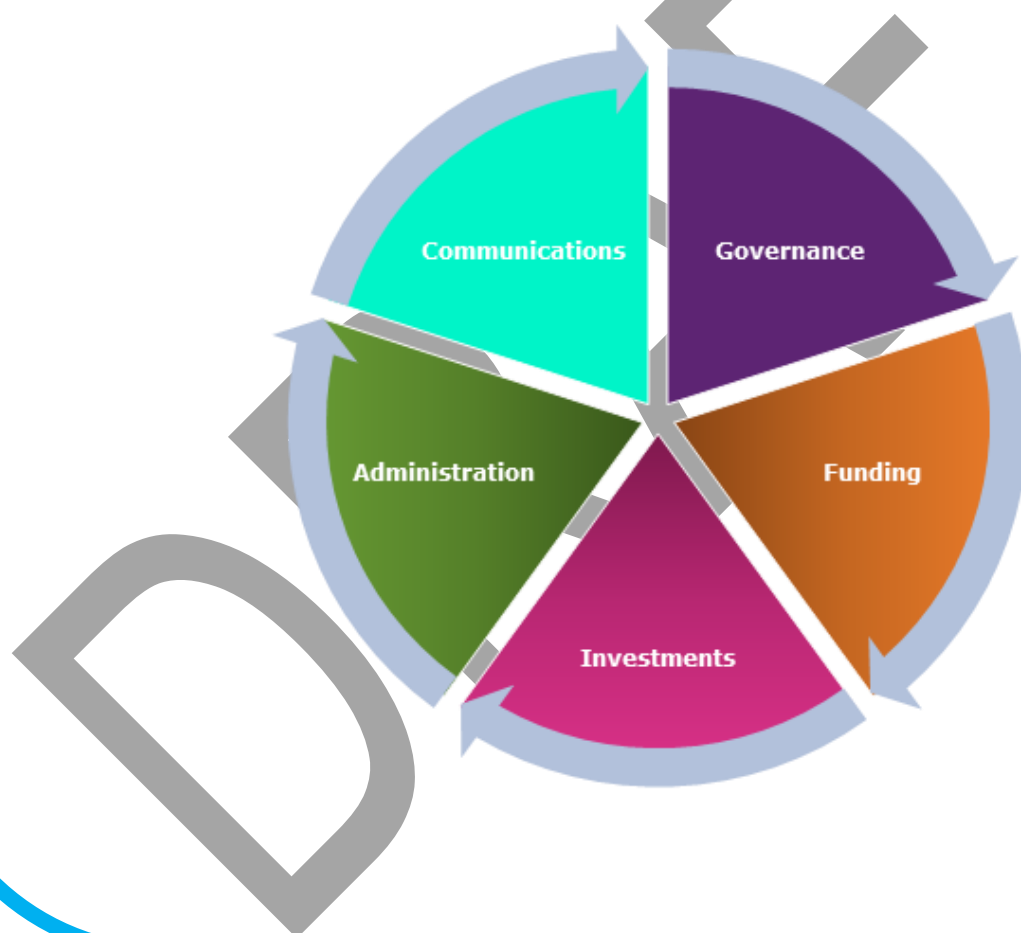
# Essex Pension Fund

## Background and Introduction

This is the Knowledge and Skills Strategy for the Essex Pension Fund (the “**Fund**”) which details the knowledge and skills strategy for Members of the Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC) and Pension Advisory Board (PAB).

This Knowledge and Skills Strategy has been established to aid PSB, ISC and PAB Members in performing and developing personally in their individual roles, with the ultimate aim of ensuring the Fund is managed by individuals who have appropriate levels of knowledge and skills.

This strategy has been developed covering the five key areas of the Fund:



## Aims and Objectives

The aims and objectives of this strategy is to:

- Ensure the Fund is managed and its services delivered by people who have appropriate levels of knowledge and expertise;
- Ensure Board/Committee Members receive the right training to give them the required knowledge to enable robust decision-making;
- Ensure training is delivered at the right time in the most effective way; and
- Ensure refresher training takes place at the most relevant time to ensure the knowledge level of Members is appropriately maintained.

## To whom this Strategy applies

In accordance with the Council's Constitution, Essex Pension Fund Board and Committee Members are expected to attend regular training sessions in order to maintain an appropriate level of knowledge and skills to perform their roles effectively.

This Knowledge and Skills Strategy applies to all members of the PSB, ISC and PAB, including Scheme Member and Employer representatives.

Senior Officers within the Essex Pension Fund Management Team, the Director for Essex Pension Fund and the Executive Director Finance and Technology (Section 151 Officer) will also be required to have appropriate knowledge and skills relating to their role which is captured in separate knowledge and skills strategy for Officers.

## Knowledge and Skills Requirements

Chartered Institute of Public Finance and Accountancy (CIPFA) launched a Code of Practice and technical guidance for Representatives on Pension Fund Committees (PSB/ISC) and Local Pension Board (PAB) Members within knowledge and skills frameworks.

The Frameworks detail the knowledge and skills required for those involved in the management and decision making of LGPS funds. They cover eight areas of knowledge and skills identified as the core requirements including areas such as legislation, governance, administration, investment matters and actuarial matters.

CIPFA's guidance highlights that, with the introduction of investment pooling arrangements, comes a need for a wider range of knowledge. The guidance supplements the existing CIPFA Knowledge and Skills framework and specifies that LGPS funds will need to ensure elected members who are members of the oversight committee (ACCESS Joint Committee (AJC)) have a more in-depth level of knowledge in relation to investment pooling arrangements.

CIPFA Code of Practice and Knowledge & Skills Framework including Investment Pooling Principles

Ministry of Housing, Communities and Local Government (MHCLG) Statutory Governance Guidance

MiFID II

Pensions Act 2004 / The Pensions Regulator's Code of Practice

MHCLG Statutory Governance Guidance states:

- That where lay members sit on a main or secondary Committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.
- In line with the Myners Principles, Members of formal Committees who take investment decisions should have sufficient expertise to be able to evaluate critically any advice they take.
- The Administering Authority must report on the extent to which training facilities are extended to lay members sitting on either main or secondary LGPS Committees.
- That in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training in respect of Members involved in the decision-making process.
- That where such a policy exists it applies to all members of committees, sub-committees, advisory panels or any other form of secondary forum.
- That the Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

The implementation of Markets in Financial Instruments Directive (MiFID II) led to the need for the Fund to be opted up to professional status to allow the Fund to continue to access the full range of vehicles and managers needed to meet the needs of the Investment Strategy.

As part of this process the Fund had to provide evidence that PSB/ISC Members had an appropriate level knowledge and that adequate governance arrangements were in place. In order to maintain this status, the Fund will need to continue to demonstrate the competency of existing and new PSB/ISC Members and this Knowledge and Skills Strategy will support that aim.

The Pensions Act 2004 includes a requirement for Local Pension Board members to have a degree of knowledge and understanding appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board (PAB). This is expanded on in the Pension Regulator's Code of Practice.

## Application to the Essex Pension Fund

PSB, ISC and PAB Members are expected to maintain an appropriate level of knowledge and skills to perform their role effectively, and to meet the requirements of overriding legislation, statutory and professional guidance.

All Board/Committee members will receive appropriate training to fill any knowledge gaps identified and must seek to maintain their knowledge.

The Fund fully supports the use of the CIPFA Code of Practice on LGPS Knowledge and Skills, and its associated Frameworks, and tPR's Code of Practice, as well as understanding the need for appropriate knowledge and skills to allow professional status to be awarded for MiFID II purposes. The Fund adopts the principles and requirements of these, and this Knowledge and Skills Strategy highlights how the Fund will strive to achieve those through the use of a two-year rolling Training Plan together with regular monitoring and reporting.

## Delivery

The Fund recognises that attaining and maintaining relevant knowledge and skills is a continual process for PSB/ISC Members and PAB Members, and that training is a key element of this process. The Fund has, therefore, developed an example of a two-year rolling Training Plan based on the following key elements and is provided at Appendix A to this strategy.

### Induction Training

- On joining the PSB, ISC or PAB, a new Member will be provided with electronic documentation to assist in providing a basic understanding of the Fund, e.g. the Fund's three-year Business Plan, Annual Report and Policies.
- Within 3 month's of appointment, a new Member will also receive formal Induction Training carried out by Fund Officers as part of a one-to-one briefing or, if there is more than one new member, in-house training.
- In addition, an individual training plan will be developed to assist each PSB/ISC Member and PAB Member in achieving, within 12 months of assessment, their identified individual training requirements (captured by the completion of the Training Needs Analysis).

### Individual Training Needs Analysis

- An individual training needs analysis has been developed for the main roles of PSB/ISC Members and PAB Members customised appropriately to the key areas in which they should be proficient. This will include all the areas highlighted within CIPFA Knowledge and Skills Frameworks.
- Training will be required in relation to each of these areas and will be delivered in the most effective way e.g. one-to-one briefing, training days or Bitesize Training for all Members as part of a Board/Committee meeting.

### Bitesize Training

- An example of the draft Training Plan has been developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a high risk area or an area of change for the Fund. An example of this would be Valuation training leading up to the Valuation process.
- This training will usually be delivered through PSB, ISC or PAB meetings as bitesize training to effectively cover the required topic and to aide decision-making where applicable.

### General Awareness

- PSB/ISC Members and PAB Members are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the Fund.
- This training will be covered throughout the 24 month period and an assessment will be made on how the training is most effectively delivered, either through: in-house training days provided by Fund Officers and/or external Advisers / Suppliers; training as part of meetings (bitesize training) provided by Fund Officers and/or external Advisers; external training events; circulation of reading material; attendance at seminars and conferences offered by industry-wide bodies; attendance at meetings and events with the Fund's investment managers and advisers; links to on-line training and webinars; and access to the Essex Pension Fund website where useful Fund specific material will be available.

## Monitoring Knowledge and Skills

In order to identify whether we are meeting the objectives of this strategy we will:

1) Compare and report on attendance at training based on the following:

- Induction training – ensuring initial induction training is completed by new Members within 3 months of appointment;
- Individual Training Needs Analysis (for new Members) – ensuring a training needs analysis is undertaken for each new Member within 3 months of appointment with the identified training requirements delivered within 12 months of assessment;
- Individual Training Needs Analysis (for existing Members) – ensuring a training needs analysis is undertaken for each individual at least once every two years with the identified training delivered within 12 months of the assessment;
- EPF in-house training – ensuring attendance by at least 80% of the required PSB/ISC/PAB Members at planned EPF training days and Bitesize Training sessions as part of Board/Committee meetings;
- General Awareness – each PSB/ISC Member and PAB Member achieving the required training credits within a two-year rolling period.

2) Ask our Independent Governance and Administration Adviser to assist in the annual evaluation on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this strategy.

## Key Risks

The key risks to the delivery of this strategy are contained within the Fund's Risk Register which can be found on the [essexpensionfund.co.uk](https://essexpensionfund.co.uk) website.

## Reporting

The following information will be included in the PSB, ISC and PAB meeting Agenda Packs on an annual basis:

- The training provided / attended in the previous year at an individual level; and
- The results of the measurements identified above.

In addition, quarterly reporting through the Fund's Scorecard will be provided to the PSB and PAB at each meeting in regard to the progress in achieving the above.

Furthermore, at each PSB, ISC and PAB meetings, Members will be provided with details of forthcoming seminars, conferences and other relevant training events that are on the horizon.

## Approval, Review and Consultation

This Knowledge and Skills Strategy was approved on 23 September 2020 by the PSB. It will be formally reviewed and updated by the PSB at least every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

## Further Information

If you require further information about this strategy, please contact:

Amanda Crawford, Compliance Manager, Essex Pension Fund  
Email – [Amanda.crawford@essex.gov.uk](mailto:Amanda.crawford@essex.gov.uk)

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## EXAMPLE Two-year rolling Training Plan

## Appendix A

Proposed Delivery Methods								
Topic	One-to-One Briefing with an Officer	Members' Briefing Notes	Bitesize Training	In-house Training Events / Workshops	External Conferences & Training Seminars	E-Learning / Webinars	KSF / tPR area(s)	Frequency
<b>General Training</b>								
General overview of LGPS – Induction / Refresher: • Member's Role	✓			✓		✓	KSF1, KSF2, tPR1	Within 3 months of appointment
Members individual needs on specific areas arising during the year	✓	✓	✓	✓	✓	✓	Multiple	As and when required
<b>Governance related Training</b>								
<ul style="list-style-type: none"> <li>LGPS Landscape</li> <li>Administering Authority</li> <li>S151 Officer</li> <li>Employers</li> <li>PSB</li> <li>Scheme Employer / Scheme Member Board Representatives</li> <li>ISC</li> <li>PAB</li> <li>Three-year Business Plan</li> <li>Performance measurement (Scorecard)</li> <li>Risk Management</li> <li>Fund responsibilities / Policies</li> <li>Accounts and audit regulations</li> <li>Role of internal and external audit</li> <li>3<sup>rd</sup> Party Service Providers</li> <li>Procurement process for Independent Governance &amp; Administration Adviser</li> </ul>	✓	✓	✓	✓	✓	✓	KSF1, KSF2, KSF4, KSF5, KSF6, tPR1, tPR2, tPR7	Within 24 rolling months

## EXAMPLE Two-year rolling Training Plan

Proposed Delivery Methods								
Topic	One-to-One Briefing with an Officer	Members' Briefing Notes	Bitesize Training	In-house Training Events / Workshops	External Conferences & Training Seminars	E-Learning / Webinars	KSF / tPR area(s)	Frequency
Funding related Training								
<ul style="list-style-type: none"><li>Funding principles and preparing for the Actuarial Valuation</li><li>Valuation basics</li><li>Role of the PSB and PAB</li><li>Purpose of the Valuation / Funding Strategy Statement</li><li>Last Actuarial Valuation overview</li><li>Whole Fund and Employer results</li><li>Contribution stability</li><li>Funding Strategy</li><li>Employer Risk / Employer specific Funding Objectives</li><li>Experience from recent Valuations</li><li>Markets (asset returns and yields)</li><li>Longevity experience</li><li>Interim Valuation</li><li>3<sup>rd</sup> Party Service Providers</li><li>Procurement process for Actuary</li></ul>	✓	✓	✓	✓	✓	✓	KSF5, KSF7, KSF8	Within 24 rolling months

## EXAMPLE Two-year rolling Training Plan

Proposed Delivery Methods								
Topic	One-to-One Briefing with an Officer	Members' Briefing Notes	Bitesize Training	In-house Training Events / Workshops	External Conferences & Training Seminars	E-Learning / Webinars	KSF / tPR area(s)	Frequency
<b>Investment related Training</b>								
<ul style="list-style-type: none"> <li>Investment Strategy Statement</li> <li>Responsible Investment</li> <li>Bitesize Training by Asset Class</li> <li>Asset / Liability Study Training</li> <li>Review of Investment Manager Fees / Cost Transparency</li> <li>Cash Flow Training</li> <li>Asset Pooling (ACCESS)</li> <li>Investment Performance measurement</li> <li>Safeguarding the Fund's Assets</li> <li>Role of the Global Custodian</li> <li>3<sup>rd</sup> Party Service Providers</li> <li>Procurement process for Institutional Investment Consultants</li> <li>Procurement process for Independent Investment Adviser</li> <li>Procurement process for Investment / Fund Managers</li> </ul>	✓	✓	✓	✓	✓	✓	KSF5, KSF6, KSF7, CIP, MIFID	Within 24 rolling months

## EXAMPLE Two-year rolling Training Plan

Proposed Delivery Methods								
Topic	One-to-One Briefing with an Officer	Members' Briefing Notes	Bitesize Training	In-house Training Events / Workshops	External Conferences & Training Seminars	E-Learning / Webinars	KSF / tPR area(s)	Frequency
<b>Administration and Communications related Training</b>								
<ul style="list-style-type: none"> <li>Fund Administration</li> <li>Pension Discretions / LGPS Discretions and Policies</li> <li>Government Consultations</li> <li>Joining</li> <li>Contributions</li> <li>Benefits including tax</li> <li>Transfers</li> <li>Retirement and lump sum</li> <li>Increasing Benefits</li> <li>Annual Allowance</li> <li>Lifetime Allowance</li> <li>3<sup>rd</sup> Party Service Providers</li> <li>Procurement Process for Administration System provider</li> </ul>	✓	✓	✓	✓	✓	✓	KSF1, KSF3, KSF5, tPR3, tPR4, tPR5, tPR6	Within 24 rolling months

### Key

CIPFA Knowledge and Skills Framework (KSF): Pensions Legislation **KSF1**, Public Sector Governance **KSF2**, Pensions Administration **KSF3**, Pension Accounting and Auditing Standards **KSF4**, Financial Services Procurement and Relationship Management **KSF5**, Investment Performance and Risk Management **KSF6**, Financial Markets and Products Knowledge **KSF7**, Actuarial Methods, Standards and Practice **KSF8**.

CIPFA Investment Pooling (CIP): **CIP**

The Pensions Regulator (TPR) Toolkit: Conflicts of Interest **tPR1**, Managing Risk and Internal Controls **tPR2**, Maintaining Accurate Member Data **tPR3**, Maintaining Accurate Member Data **tPR3**, Maintaining Member Contributions **tPR4**, providing information to Members and others **tPR5**, Resolving Internal Disputes **tPR6**, Reporting Breaches of the Law **tPR7**.

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 06</b>
<b>Date: 23 September 2020</b>	

## **Update on Pension Fund Activity**

Report by the Compliance Manager

Enquiries to Amanda Crawford 03330 321763

### **1. Purpose of the Report**

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

- The conclusion against the 2019/20 Business Plan;
- Scorecard as at 31 March 2020;
- Progress against the 2020/21 Business Plan and Budget;
- Development to date of the new Scorecard and Scorecard Measures; and
- Risk Management.

### **2. Recommendations**

2.1 That the Board **agree**:

- the Governance, Funding and Administration Scorecard Measures at Appendix D of this report; and
- the review of the Fund's Scheme member and employer Annual Surveys be delegated to the Essex Pension Fund Advisory Board (PAB) and the outcome to be fed into the Communications section of the new scorecard.

2.2 That the Board note:

- the conclusion against the 2019/20 Business Plan and the actions that have been carried forward to 2020/21;

- the Scorecard Measures as at 31 March 2020 including the outcome of the Scheme member and employer Annual Surveys;
- the progress against the 2020/21 Business Plan and Budget and the new reporting format;
- the development to date of the new 2020/21 Scorecard and the new reporting format;
- that the Investment measures will be considered by the Investment Steering Committee (ISC) at their 21 October 2020 meeting for approval; and
- the current risks within the Risk Register with a residual score of eight or above along with the new reporting format.

### 3. Background

3.1 The following documents accompany this report:

Appendix	Detail
A	The conclusion of the 2019/20 Business Plan including the actions that have been carried forward to 2020/21, for noting.
B	The Scorecard Measures as at 31 March 2020 including the outcome of the Scheme member and employer Annual Surveys, for noting.
C	An update on the 2020/21 Business Plan and Budget in a new format, for noting.
D	The proposed Governance, Funding and Administration Scorecard Measures to date, <b>for approval</b> .
E	New Scorecard Exception report for noting.
F	Detailed scores against the proposed Governance, Funding and Administration Scorecard Measures, for noting.
G	Risks from the Risk Register with a residual score of eight or above including their target scores in a new format, for noting.

### 4. Business Plan 2019/20

4.1 Of the 12 Actions for 2019/20:

- 0 (0%) not started;
- 2 (17%) in progress and carried forward to 2020/21; and
- 10 (83%) have been completed.

4.2 Details against each action have been provided at Appendix A.







## 5. Scorecard Measures as at 31 March 2020

5.1 The Scorecard is shown at Appendix B.



### Scheme member and employer Annual Surveys

5.2 The Scorecard has been updated with the results of the 2019 Scheme member and employer Annual Surveys. Key findings are shown below.

5.3 Employer Survey:

Measure	Previous Score	Score as at 31 March 2020	Trend
1.1.5 Employer Survey - % positive answers			
5.1.2 % of positive responses from the Employer Survey – <i>Expertise of Pensions Team</i>			
5.1.3 % of positive responses from the Employer Survey - <i>Friendliness</i>			
5.2.4 % of positive responses from the Employer Survey – <i>Clarity of Website information</i>			
5.2.6 Increase in response rate of the Employer Survey compared to last year			
5.2.7 Employer Survey – feedback on training and educational materials - % positive responses			

5.4 Member Survey:

Measure	Previous Score	Score as at 31 March 2020	Trend
5.2.1 % of positive responses from the Scheme Member Survey - <i>Clarity of website information</i>			
5.2.2 % of positive responses from the Scheme Member Survey - <i>Understandable Annual Benefit Statements</i>			



## Review of Scheme member and employer Annual Surveys

- 5.5 Fund Officers have reviewed the survey questions and have concluded that the surveys in their current form:
- hold too many questions;
  - hold questions that bear no relevance to customer satisfaction; and
  - the target of 95% is unrealistic / unachievable.
- 5.6 Therefore it is recommended that the Board delegate a review of the Fund's Scheme member and employer Annual Surveys to the Essex Pension Fund Advisory Board (PAB) to establish the key fundamentals that the Fund, and Board, want to learn from the Annual Survey process.
- 5.7 It also proposed that the Communications section of the new Scorecard will follow once developed.

## **6. Business Plan and Budget 2020/21**

- 6.1 The new three-year Business Plan and Budget was approved by the Board at their 4 March 2020 meeting. Fund Officers have developed a new look progress report.
- 6.2 Detailed progress against each Priorities are provided at Appendix C which also includes the progress against the Fund's agreed Budget.

## **7. New Scorecard**

- 7.1 As of 31 August 2020, the updated progress in regard to the revised Scorecard Measures are as follows:

Area of Activity	Progress
Governance	Measurements developed to date shown at Appendix D of this report, <b>for approval</b> by the Board.
Funding	Measurements developed to date shown at Appendix D of this report, <b>for approval</b> by the Board.
Investments	Currently in development. The ISC will consider them at their

	21 October 2020 meeting.
Administration	Measurements developed to date shown at Appendix D of this report, <b>for approval</b> by the Board.
Communications	As detailed in Section 5 of this report.

- 7.2 The proposed scorecard measures as detailed in Appendix D have been assessed as at 31 August 2020 and is detailed in Appendix F. In addition, Officers have provided an Exception Report which is shown at Appendix E.

## 8. Risk Register

- 8.1 As at 31 August 2020, there were 46 risks in the Fund's Risk Register of which 7 had a residual score that is assessed as Amber. In addition, 1 risk had a residual score of 12 (Red) (2 as at 04 March 2020 meeting) and are shown at Appendix G.
- 8.2 The revised scorecard will no longer measure the amount of red and amber risks but will assess the risk's current score against the target score. The target score is the realistic score that it is believed the risk could come down to, once all the control measures are fully implemented and having their desired effect.
- 8.3 As at 31 August 2020, 42 risks (91%) were assessed as equal to or better than the target score. This is shown as a green within the new scorecard (Appendix F, measure 1.6.1).

## 9. Revised Risk Strategy

- 9.1 Fund Officers, in consultation with the IGAA, have developed a Risk Strategy to align with the ECC Risk Management Strategy that was published during January 2020. This forms part of Agenda Item 5 of this Agenda Pack for the Board's approval. The changes described in Section 8 are consistent with the EPF Risk Strategy.

## **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; and
- Continually measure and monitor success against our objectives.

## **11. Risk Implications**

11.1 Key risks are identified at Appendix G.

## **12. Communication Implications**

12.1 A revised approach to communicating with Scheme Members and Employers to be developed which will impact on the timeline of issuing the 2020/21 Annual Survey.

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

## **13. Finance and Resources Implications**

13.1 To deliver the activities outlined in the Business Plan for 2020/21 a Budget of £4.62m has been approved which includes an operational internal budget of £3.31m and a budget allocation for third party provider support/advice of £1.31m. This will be periodically kept under review.

## **14. Background Papers**

14.1 Update on Pension Fund Activity, PSB 04, 04 March 2020.



## Essex Pension Fund Business Plan 2019/20

### Governance

#### Objectives:

- Provide a high-quality service whilst maintaining value for money.
- Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
- 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, ensuring efficiency at all times.
- Act with integrity and be accountable to our stakeholders.
- Understand and monitor risk and compliance.
- Continually measure and monitor success against our objectives.
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
1. Further roll out of training and training needs assessments	Further roll out of training and training needs assessments;  training & training needs assessments will continue in 2019/20; and  a revised training strategy and training plan is to be developed	Fund officers / IGAA	Complete for 2019/20.  Various training during 2019/20 has been carried out/attended including, but not limited to: <ul style="list-style-type: none"> <li>• RI Workshop;</li> <li>• Investment for Life Training &amp; Seminar (Baillie Gifford);</li> <li>• ACCESS Investor Day;</li> <li>• Valuation Training / Valuation Webinar;</li> <li>• ISS Training;</li> <li>• Local Authority Responsible Investment Seminar;</li> <li>• Annual Governance Conference; and</li> <li>• LAPPF Members meetings.</li> </ul>	This has been included within the 2020/21 Business Plan and progress will be reported to the Board on a quarterly basis.  The revised Training Strategy will be developed by Officers for approval by the PSB at a future meeting.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
2. Annual review of governance policy	Annual review of governance policy;  review governance policy to ensure it is relevant and up to date, including the governance compliance statement; and  ToRs for all Boards/Committee to be reviewed.	DfEPF, CM & IGAA	Complete for 2019/20.  The Governance Policy and Compliance Statement was reviewed and subsequently approved at the 4 March 2020 PSB meeting.	This forms part of the 2020/21 Business Plan.
3. Annual review of Pension Fund Board	Annual review of Pension Fund Board;  review of Pension Fund Board membership; and  review the effectiveness of the Pension Fund Board and the services supplied to it.	DfEPF, CM & IGAA	Complete for 2019/20  The PAB Review included reviewing ToR, Membership and timings/number of meetings.	<u>Review of Effectiveness</u> The IGAA will commence a review of effectiveness of the Board once the changes have been embedded.

## Investments

### Objectives:

- To maximise the returns from investments within reasonable risk parameters.
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented.
- Ensure investment issues are communicated appropriately to the Fund's stakeholders.

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
4. Review of asset allocation	Review of asset allocation;  Review of asset allocation as part of the strategy & structure deliberations at the ISC strategy meetings.	DfEPF & IM	Complete for 2019/20	This forms part of the 2020/21 Business Plan.
5. Implement any review of investment allocation arrangement	Implement any review of investment allocation arrangement;  and implement any decisions taken by the ISC in light of the Asset Liability Study.	DfEPF & IM	Complete for 2019/20	This forms part of the 2020/21 Business Plan.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
6. Review the Investment Strategy Statement (ISS)	Review the Investment Strategy Statement (ISS).	DfEPF & IM	<p>In progress:</p> <p>At 19 February 2020 meeting the RI Policy was agreed. The Policy has also been shared with the Fund's Investment Managers for comment.</p> <p>It is anticipated that the ISS will be consulted upon during summer 2020/21.</p>	This forms part of the 2020/21 Business Plan.
7. Respond to the requirements of LGPS structural reform process	<p>Respond to the requirements of LGPS structural reform process;</p> <p>developments in relation to LGPS structural reform will be monitored; and</p> <p>this will remain in the business plan until transition of assets is complete.</p>	DfEPF & IM	Complete for 2019/20	This forms part of the 2020/21 Business Plan and progress will be reported to the Board on a quarterly basis.



## Funding

### Objectives

- To recognise in drawing up the funding strategy the desirability of employer contribution rates that are as stable as possible.
- To prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement.
- To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption, where necessary, of employer specific funding objectives.
- To ensure consistency between the investment strategy and funding strategy.
- To maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund.
- To adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations to minimise unrecoverable debt on termination of employer participation.

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
8. Actuarial Valuation as at 31 March 2019	Actuarial Valuation as at 31 March 2019;  an actuarial valuation will be commissioned from the Fund Actuary; and  the various processes of the Valuation will take place throughout 2019/20.	DfEPF & EM	Complete for 2019/20.  The Actuarial Valuation Report was published by the statutory deadline of 31 March 2020.	Not applicable.

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
9. Review Funding Strategy Statement	Review Funding Strategy Statement as part of 2019/20 actuarial valuation process.	DfEPF & EM	<p>Complete for 2019/20.</p> <p>The Funding Strategy Statement was approved at the 4 March 2020 PSB meeting and subsequently published by the statutory deadline of 31 March 2020.</p>	This forms part of the 2020/21 Business Plan as and when required.

## Administration

### Objectives:

- Deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need;
- Ensure contribution income is collected from the right people at the right time in the right amount;
- Ensure benefits are paid to the right people at the right time in the right amount; and
- Ensure the Fund employers are aware of and understand their roles and responsibilities, and carry out their functions in line with legislation, guidance and the Fund's agreed policies and procedures.

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
10. Implementation of UPM (administration system)	<p>Ongoing phased implementation of UPM (administration system);</p> <p>Member, Employer and Retire online</p>	SM	<p>In progress:</p> <p>To date 48,000 (32%) individual scheme members have been invited to use “<i>Member online</i>” of whom 16,750 (35%) are utilising this service.</p> <p>254 Employers have registered and are using “<i>Employer online</i>”.</p> <p>Retire Online has now gone live on ‘<i>Member Online</i>’. Deferred LGPS members aged over 55 can now run their own estimates and can officially retire with no input from EPF staff.</p>	<p>This forms part of the 2020/21 Business Plan and progress will be reported to the Board on a quarterly basis.</p>

## Appendix A

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
11. Confirmation of GMP (Guaranteed Minimum Pension) entitlement	Confirmation of GMP entitlement; confirming the GMP (Guaranteed Minimum Pension) element of all scheme members'; and will remain ongoing until the project is completed.	THM	Project complete and will now form part of business as usual.	Not applicable.

## Communications

### Objectives:

- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally;
- Ensure our communications are useful and easy to follow;
- Deliver information in a way that suits all types of stakeholders including providing more accessibility through greater use of technology;
- Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all the scheme members, prospective scheme members and employers.

Action	How will this be achieved?	Officer managing action*	Progress as at 31 March 2020	2020/21 Business Plan
12. Monitor Communications Policy	Monitoring of the Communications Policy;  and the communications policy will be reviewed during 2019/20.	THM	Complete for 2019/20.  The Communication Policy was approved at the 4 March 2020 PSB meeting.	Not applicable.



## Essex Pension Fund Scorecard - January to March 2020

### 1. GOVERNANCE

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

1

4

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

3

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

4

1.5 - Understand and monitor risk and compliance

1

4

### 2. INVESTMENTS

2.1 - Maximise returns from investments within reasonable risk parameters

2

1

2

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

1

1

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

1

4

### 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

1

1

### 4. ADMINISTRATION

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

3

7

2

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

2

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

1

1

4.3 - Ensure proper administration of financial affairs

1

1

4.4 - Compliance with Fund's governance arrangements

2

3

### 5. COMMUNICATIONS

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

1

3

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

2

3

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, Kelly Armstrong and Amanda Crawford

## Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.1.1 Cost per scheme member	2nd	quartile	G	G	2nd/3rd quartile	2nd/3rd quartile	Low	Annual (Dec)
1.1.2 Number of scheme member complaints	3	number	G	G	5 or under	20 or under	Low	Quarterly
1.1.3 Number of scheme member compliments	18	number	G	G	15 or more	60 or more	High	Quarterly
1.1.4 Scheme member survey - % of positive answers	95%	%	G	G	95%	95%	High	Annual (Mar)
1.1.5 Employer survey - % of positive answers	90%	%	A	A	95%	95%	High	Annual (Mar)

## Rationale for performance status and trend

1.1.1. Cost per member was £16.94 in 2018/19 (£16.41 in 2017/18) compared to the CIPFA Benchmarking average of £21.34. (The CIPFA Benchmarking average for 2017/18 was £21.85).
1.1.2. The number of complaints received in the quarter leading up to 31 March 2020 was 3. The total for 2019/20 was 10.
1.1.3. The number of compliments received in the quarter leading up to 31 March 2020 was 18. The total for 2019/20 was 68.
1.1.4. In October 2019 a scheme member survey was issued to 500 scheme members (500 in November 2018) who were invited to participate. In addition, the survey was also made available online via the Essex Pension Fund website. 130 members responded to the survey (128 in November 2018). 1067 responses were received from a total of 1120 individual answers resulting in a 95% positive response rate. The previous survey was 97%. The Fund will carry out an extensive review of the questions asked in preparation for the 2020/21 Survey.
1.1.5. In October 2019 an Employer Survey was issued to 684 Employers (654 in 2018) who were invited to participate. 53 Employers responses were received (51 in November 2018). 611 responses were received from a total of 681 individual answers resulting in a 90% positive response rate. The previous survey result for positive answers was 94.7%. The Fund will carry out an extensive review of the questions asked in preparation for the 2020/21 Survey.



## 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:** Jody Evans

**Data lead:** Amanda Crawford

Status	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity	Frequency
1.2.1 Members training	98%	%	G	G	90%	90%	High	Quarterly
1.2.2 Board Member attendance at Board meetings	100%	%	A	G	80%	80%	High	Quarterly
1.2.3 Officer training plans and Supporting Success objectives in place	100%	%	G	G	100%	100%	High	Ongoing

### Rationale for performance status and trend

**1.2.1** In the measurement period Board Members' training credits equated to 98%. The revised Training Strategy has been drafted by Officers and will be provided to the Fund's Independent Governance & Administration Adviser (IGAA) for consultation.

**1.2.2** During the quarter leading up to 31 March 2020 there was one PSB meeting on 04 March 2020 achieving 100% attendance from Members. In addition, the annual target has also been surpassed with the Board Members achieving 89% attendance for 2019/20.

**1.2.3.** Yearly plans are in place for all staff working within the Essex Pension Fund. The Compliance Team monitor and record all Officer training.

# 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:** Jody Evans

**Data lead:** Jody Evans & Amanda Crawford

Status	Value	Previous status	Current status	Target	Annual target	Polarity	Frequency
1.3.1 Fund Business Plan quarterly review - actions on track	83% complete 17% in progress	A	A	100% complete	100% complete	High	Quarterly

## Rationale for performance status and trend

1.3.1 Against a total of 12 objectives or projects for the year:

10 (83%) has been completed;  
2 (17%) were in progress and will be carried forward into 2020/21:  
0 (0%) not started.

The 2019/20 Business Plan progress report is detailed in Appendix 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 PSB 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:** Jody Evans

**Data lead:** Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Polarity	Frequency
1.4.1 Number of complaints made	0	number	G	G	0	Low	On-going
1.4.2 Number of complaints upheld	0	number	G	G	0	Low	On-going
1.4.3 The Pension Strategy Board has provision for representatives of employers and scheme members. Appointees are currently in place.	Yes		G	G	Yes	High	Quarterly
1.4.4 The Pension Advisory Board has provision for representatives of both employers and scheme members. Appointees are currently in place.	Yes		G	G	Yes	High	Quarterly

### Rationale for performance status and trend

1.4.1 Reflects performance over the last 12 months.

1.4.2 Reflects performance over the last 12 months.

1.4.3 As of 31 March the Other Employing Bodies Representative ceased their position and a recruitment process had commenced to fill the position. A formal update has been provided at Agenda Item 04 of this Agenda Pack.  
Yes = green; No = red.

1.4.4 Within the quarter leading up to 31 March 2020 there were no vacancies on the PAB.

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:** Jody Evans & Amanda Crawford

**Data lead:** Amanda Crawford

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
<b>1.5.1</b> Number of internal audit reviews finding limited/no assurance	0	number	G	G	0	0	Low	Annual
<b>1.5.2</b> Number of internal audit recommendations outstanding	0	number	G	G	0	0	Low	On-going
<b>1.5.3</b> Percentage of risks on the risk register with a residual score that is classified as amber	17	%	R	G	<20%	<20%	High	Quarterly
<b>1.5.4</b> Percentage of risks on the risk register with a residual score that is classified as red	6.5	%	R	R	0%	0%	High	Quarterly
<b>1.5.5</b> Number of matters raised by external auditors relating to the Essex Pension Fund	0	number	G	G	0	N/A	Low	Annually (Sep)

### Rationale for performance status and trend

**1.5.1** This includes the 2018/19 internal audit reports that were reported to the PSB at the 3 July 2019 PSB meeting. Good assurance (green) was rated with 0 recommendations made.

**1.5.2** The 2018/19 internal audit reports made no recommendations for implementation.

**1.5.3** As at 31 March 2020, the Fund had 46 risks in its register, of which 8 had a residual score that was classified as amber. A further 9 which were previously classified as amber are now classified as yellow, due to ECC introducing a fourth colour (yellow) into the risk matrix as detailed at the 04 March 2020 meeting. An updated position in regard to Risk is provided at Agenda Item 06 of this Agenda Pack. Measurement: below 20% = green; between 20%-25% = amber; above 25% = red

**1.5.4** As at 31 March 2020, the Fund had 46 risks in its register, 3 of which had a residual score that was classified as red. These included: G9: Failure to carry out Business As Usual due to Covid-19; G14: Regulatory Risks i.e. McCloud; and A3: Failure to pay benefits due to the BACS Cloud Procurement. An updated position in regard to Risk has been provided at Agenda Item 06 of this Agenda Pack. Measurement: 0% = green; above 0% = red

**1.5.5** There were no significant recommendations for Members to note in the 2018/19 Annual External Audit Results Report from BDO which was presented to the Board at their September 2019 meeting.

## 2.1 - Maximise returns from investments within reasonable risk parameters (Annual)

Data as at: 31 March 2020

**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:** Jody Evans

**Data lead:** Samantha Andrews

Status	Value	Units	Previous Status	Current Status	Target	Annual target	Polarity
2.1.1 Annual return compared to Peer Group	-4.8	3rd	G	A	1st	1st	High
2.1.2 Annual Return compared to Benchmark	-4.8	%	G	R	-3.8%	-3.8%	High
2.1.3 Five year (annualised) return compared to Benchmark	6.4	%	G	G	4.7%	4.7%	High
2.1.4 Five year (annualised) return compared to central expected return of current investment strategy	6.4	%	G	G	6.4%	6.4%	High
2.1.5 Five year (annualised) return compared to central expected return of current investment strategy including manager outperformance	6.4	%	G	R	7.2%	7.2%	High

### Rationale for performance status and trend

As of 31 March 2020 the Fund's results were:

**2.1.1** The Essex Pension Fund with -4.8% was ranked 3rd out of 6 of the peer group which consists of Cambridgeshire, Kent, Norfolk, Northamptonshire and Suffolk. The lowest return within the group was -7.5%. The Fund equalled the Pirc Local Authority Universe average of -4.8%.

**2.1.2** The annual return of -4.8% was below the benchmark of -3.8%.

**2.1.3** The five year return of 6.4% was above the benchmark of 4.7%.

**2.1.4** The five year return of 6.4% was equal to the central expected return of the current Investment Strategy.

**2.1.5** The five year return of 6.4% was below the expected return of the current Investment Strategy including investment manager outperformance of 7.2%.

The Fund recorded a negative annual performance for the year, the first time since the financial crisis of 2008/09. The performance was largely driven by the stock markets reacting sharply to the Covid 19 crisis with daily double figure decreases experienced in March as the news of the pandemic and its severity broke. The Fund value has since recovered back to pre Covid-19 levels. The five year performance figure was also impacted.

## 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:** Jody Evans

**Data lead:** Amanda Crawford

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
2.2.1 ISC Member attendance at ISC meetings	78	%	G	A	80%	80%	High	Quarterly
2.2.2 ISC Members training	114	%	G	G	90%	90%	High	Quarterly

### Rationale for performance status and trend

**2.2.1** This represents attendance at ISC meetings in the quarter leading up to 31 March 2020 equating to 78%. There was one ISC meeting during this period on 19 February 2020. However it should be noted that the annual target has been surpassed with the Committee achieving 86% attendance for 2019/20.

The ISC meeting on 25 March 2020 was cancelled due to the Covid-19 Pandemic.

**2.2.2** In the measurement period, ISC Members' training credits equated to over 100%.

## 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:** Jody Evans

**Data lead:** Amanda Crawford & Samantha Andrews

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Frequency
<b>2.3.1</b> % of ISC agendas sent out 5 working days before meetings	100	%	G	G	100%	100%	Quarterly
<b>2.3.2</b> % of ISC Committee items sent out 5 working days before meetings	100	%	G	G	100%	100%	Quarterly
<b>2.3.3</b> % of draft ISC minutes sent out 7 working days after meetings	75	%	G	A	100%	100%	Quarterly
<b>2.3.4</b> % of draft ISC minutes uploaded to internet 12 working days after meetings	100	%	G	G	100%	100%	Quarterly
<b>2.3.5</b> Number of communication and governance arrangements for the ISC not in place	0	number	G	G	0	0	On-going

### Rationale for performance status and trend

**Measures 2.3.1 - 2.3.4** Covers the quarter leading up to 31 March 2020, during which the draft ISC minutes for the 19 February were issued 9 working days after the meeting.

The ISC meeting on 25 March 2020 was cancelled due to the Covid-19 Pandemic.

**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;
- ISS to be reviewed and published annually however this is currently pending for the end of this financial year. This is due to the changes that Pooling will require;
- Annual Report & Accounts published by 1 December;
- One independent adviser and one institutional investment consultant attended or were available to attend the last ISC meeting;
- Briefing report provided to PSB 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 in place.

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

**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:** Jody Evans

**Data leads:** Sara Maxey

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.1.1 Probability of hitting funding target	75	%	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 considered by the Investment Steering Committee at its meeting on 12 October 2017.

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 25 years time as 75%.

Following the 2019 Actuarial Valuation, the Asset Liability Study will be undertaken during 2020/21.



## 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:** Jody Evans

**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 (FSS) is reviewed at least every three years as part of the Valuation process to include suitable stability mechanisms. The FSS was approved by the Board at their 04 March 2020 meeting and was published by the statutory deadline of 31 March 2020.

3.2.2 During consultation on the 2020 Funding Strategy, each of the 17 major precepting bodies were consulted and agreed options for payment of employer contributions. Rates and adjustment certificates have been issued. The 17 major precepting bodies are listed below:

- Essex County Council
- Basildon District Council
- Braintree District Council
- Brentwood Borough Council
- Castle Point Borough 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:** Jody Evans

**Data leads:** Samantha Andrews & Sara Maxey

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
<b>3.3.1</b> Expected return of investment strategy	6.4	%	G	G	5.8%	5.8%	High	3 yearly
<b>3.3.2</b> Investment strategy reviewed after Asset Liability Study	Yes		G	G	Yes	Yes	High	3 yearly

### Rationale for performance status and trend

#### 3.3.1 Long term return assumed by Funding Strategy

For the 2016 Valuation the Fund Actuary's assumption for investment return was 5.1%. As part of the 2017 Asset Liability Study, 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 30 September 2017. The result was an expectation of a 6.4% p.a. return which rose to 7.8% with the inclusion of investment managers outperformance.

For the 2019 Valuation the Fund Actuary's assumption for investment return was 4.5%. However, the Asset Liability Study following the completion of the 2019 Actuarial Valuation will be undertaken during 2020/21.

#### 3.3.2 Investment Strategy reviewed

This measure highlights that the ISC on 12 October 2017 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 2016 Actuarial Valuation.

The Asset Liability Study following the completion of the 2019 Actuarial Valuation will be undertaken during 2020/21.

### 3.4 - Manage employers’ liabilities effectively

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

**Scope:** All employers contributing to the scheme

**Measure Owner:** Jody Evans

**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 Funding Strategy Statement (FSS) was agreed by the Board at their 04 March 2020 meeting.

## 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:** Jody Evans

**Data lead:** Sara Maxey & Samantha Andrews

### Status

	Value	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.5.1 Sufficient investment income is available to supplement contribution income to meet benefit payments.	Yes	G	G	Yes	Yes	High	Ongoing

### Rationale for performance status and trend

**3.5.1** The Fund uses a combination of rental income and UK equity dividends from the passive portfolio to supplement contributions in meeting benefit payments.

The ISC reviewed its Treasury Management Strategy including cash flow at its March 2019 meeting. The review that was due to take place in March 2020 was deferred due to Covid-19.

### 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:** Jody Evans

**Data leads:** Sara Maxey

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
3.6.1 Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.001	%	A	A	0.00%	0.00%	Low	Quarterly
3.6.2 Deficit unrecoverable due to employers leaving scheme (as a proportion of Total Fund deficit)	0	%	G	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

For the previous valuation period April 2017 to 31 March 2019, 2 employers went into liquidation representing less than 0.001% of the £6.6bn Fund as at March 2020.

**3.6.2 Scoring:**

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

## 4.1 (Annual) - 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 and Chris Pickford

### Status

	Previous value	Current value	Previous status	Current status	Target	CIPFA Average
<b>4.1.1</b> Letter detailing transfer in quote issued within 10 working days (151 cases) (392 in 2017/18)	89.3%	88.7%	A	A	95.0%	83.8%
<b>4.1.2</b> Letter detailing transfer out quote issued within 10 working days (899 cases) (820 in 2017/18)	90.0%	88.9%	A	A	95.0%	84.4%
<b>4.1.3</b> Letter detailing process of refund and payment made within 5 working days (1,976 cases) (963 in 2017/18)	95.1%	96.2%	G	G	95.0%	94.1%
<b>4.1.4</b> Letter notifying estimated retirement benefit amount within 10 working days (2412 cases) (8,143 in 2017/18)	98.2%	98.3%	G	G	95.0%	79.3%
<b>4.1.5</b> Letter notifying actual retirement benefits and payment made of lump sum retirement grant within 5 working days (2972 cases) (2,780 in 2017/18)	99.2%	99.2%	G	G	95.0%	87.0%
<b>4.1.6</b> Letter acknowledging death of active /deferred / pensioner member within 5 working days (1,264 cases) (1,334 in 2017/18)	99.7%	99.8%	G	G	95.0%	87.8%
<b>4.1.7</b> Letter notifying the amount of dependent's benefits within 5 working days (1,264 cases) (1,334 in 2017/18)	96.4%	97.6%	G	G	95.0%	84.8%
<b>4.1.8</b> Calculate and notify deferred benefits within 10 working days (6,581 cases) (2,111 in 2017/18)	87.9%	90.0%	A	A	95.0%	75.3%
<b>4.1.9</b> Annual benefit statements issued to active members of LGPS (Career Average) by 31 August.	100.0%	100.0%	G	G	100.0%	n/a
<b>4.1.10</b> Annual benefit statements issued to deferred members by 30 June.	100.0%	100.0%	G	G	100.0%	n/a
<b>4.1.11</b> New IDRPs appeals during the year (per one thousand members)	0.01	N/A	G	Gy	Below CIPFA average	n/a
<b>4.1.12</b> IDRPs appeals - number of lost cases	0.00	N/A	G	Gy	Below CIPFA average	n/a

**4.1.1 & 4.1.2** Transfer factors were changed during 2018-19 which meant that the Fund had to stop processing transfers in and out while the new factors were finalised and published. Thus resulting in the 10 working day turnaround time not being met.

**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.

**4.1.9** Annual Benefit Statements were issued to all active members by 31 August 2019. No CIPFA average results appear in the benchmarking report.

**4.1.10** Deferred members statements were issued in June 2019. No CIPFA average results appear in the benchmarking report.

**4.1.11 & 4.1.12** The CIPFA benchmarking statistics for 2018/19 no longer include IDRPs measures.

## 4.1(Quarterly) - 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 and Holly Gipson

### Status

	Value	Units	Previous status	Current status	Target
4.1.13 Number of payments errors	0	number	G	G	<9
4.1.14 Payment of death grant not made in line with nomination, next of kin, estate or Treasury Solicitor	0	number	G	G	0

### Rationale for performance status and trend

#### 4.1.13

This 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

Details of the payment of death grants are set out below:

Payment of Death Grants detailed analysis	Dec'19 quarter	Mar'20 quarter
A: Notifications of Scheme Member deaths received	56	59
B: Number within A with death grant nomination	21	28
C: Number within B paid in line with nomination held	20	26
D: Number within B paid to next of kin (in instances of predeceased nominee)	1	2
E: Number within A paid to the Estate (in instances of predeceased nominee)	0	0
F: Number within A without death grant nomination	35	31
G: Number within F paid to next of kin	34	30
H: Number within F paid to the Estate	0	0
I: Number paid to holding account as no details of NOK at present	0	1
J: Number within F paid to the Treasury Solicitor	1	0

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:** Jody Evans                      **Data lead:** Jody Evans

Status	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
4.2.1 Number of information security breaches	1	number	G	A	0	0	Low	Quarterly
4.2.2 Actions in place for all breaches	1	number	G	G	Actions in place for all	Actions in place for all	N/A	Quarterly

Rationale for performance status and trend

**4.2.1** In the quarter to 31 March 2020, there was a minor breach caused by an error in a bulk update which resulted in a number of letters (equivalent to 0.03% of Membership) being sent to incorrect addresses.

Green = 0 breaches  
Amber = 1 or more medium or minor breaches  
Red = 1 or more major or critical breaches

**4.2.2** The action taken was:

- letters re-issued to correct addresses;
- letters sent advising members of the breach;
- letters sent to those who received an incorrect letter requesting that they return it to us or destroy it;
- bulk processes updated with new checking report to prevent error reoccurring; and
- details of the breach entered in the Fund's Breaches Log.



## 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:** Jody Evans

**Data leads:** Samantha Andrews & Sara Maxey

### Status

	Value	Units	Previous status	Current status	Current target	Annual target	Polarity	Frequency
<b>4.3.1</b> % of monthly reconciliations of equity and bond investment mandates which are timely	100.0	%	G	G	100%	100%	High	Quarterly
<b>4.3.2</b> % of contributing employers submitting timely payments	97.6	%	A	A	100%	100%	High	Quarterly

### Rationale for performance status and trend

**4.3.1** In the quarter up to the end of March 2020, 100% of monthly reconciliations of equity and bond investment mandates were carried out in timely manner against a 100% target for this quarter. (100%: quarter ended 31 December 2019).

**4.3.2** For the quarter ending March 2020, 97.6% of Employers submitted timely payments. In cash terms this equated to 97.6% of Employer contributions of £43,019m.

The delay in payments was due to the Covid-19 lock down implementation however all payments were received by the end of the month. The Fund will not charge for late payments for this period while new working procedures were being implemented.

## 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:** Jody Evans/Amanda Crawford

**Data lead:** Amanda Crawford

### Status

	Value	Units	Previous status	Current status	Target	Annual target	Polarity	Frequency
<b>4.4.1</b> % of Board agendas sent out 5 working days before meetings	100	%	G	G	100%	100%	High	Quarterly
<b>4.4.2</b> % of Board items sent out 5 working days before meetings	100	%	G	G	100%	100%	High	Quarterly
<b>4.4.3</b> % of draft Board minutes available 7 working days after meetings	75	%	G	A	100%	100%	High	Quarterly
<b>4.4.4</b> % of Board minutes uploaded to internet 12 working days after meetings	75	%	G	A	100%	100%	High	Quarterly
<b>4.4.5</b> 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

**4.4.1 - 4.4.4** Covers PSB meetings during the quarter leading up to 31 March 2020. Only two out of four targets were met with the draft minutes issued 8 working days after the meeting and uploaded onto CMIS 13 working days after the meeting.

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

- Pension Fund Business Plan in place and renewed at the beginning of the financial year;
- PSB Terms of Reference in place and noted at the beginning of the municipal year.

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:** David Tucker and Amanda Crawford

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>	98	%	G	G	95%	95%	High	Annual (Qtr 4)
5.1.2. % of positive responses from the Employer Survey. - <i>Expertise of Pensions Teams.</i>	94	%	G	A	95%	95%	High	Annual (Qtr 4)
5.1.3. % of positive responses from the Employer Survey. - <i>Friendliness.</i>	96	%	A	G	95%	95%	High	Annual (Qtr 4)
5.1.4. A Communication Policy is in place for the current year.	Yes		G	G	Yes	Yes	High	Annual (Qtr 4)

Rationale for performance status and trend

**5.1.1** In October 2019 a scheme member survey was issued to 500 scheme members (500 in November 2018) who were invited to participate. In addition, the survey was also made available online via the Essex Pension Fund website. 112 responses were received to the question 'How would you rate the EPF Team on helpfulness of staff?' There were 110 positive responses resulting in a 98% positive response rate. The previous survey result for this question was 100%.

**5.1.2** In October 2019 an Employer Survey was issued to 684 Employers (654 in November 2018) who were invited to participate. 53 responses were received to the question to 'How would you rate EPF on the level of their expertise and knowledge?'. There were 50 positive responses received resulting in a 94% positive response rate. The previous survey result for this question was 98%.

**5.1.3** In October 2019 an Employer Survey was issued to 684 Employers (654 in November 2018) who were invited to participate. 51 responses were received to the question to 'How would you rate EPF staff on friendliness?'. 51 positive responses were received resulting in a 96% positive response rate. The previous survey result for this question was 94%.

**5.1.4** The Communications Policy was agreed at the 04 March 2020 PSB meeting and was subsequently published on the Essex Pension Fund website.

## 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:** David Tucker and Amanda Crawford

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>	91.8%	%	A	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.2. % of positive responses from the Scheme Member Survey - <i>Understandable Annual Benefit Statements.</i>	91.8%	%	A	A	95.0%	95.0%	High	Annual (Qtr 4)
5.2.3. % of positive responses from the Scheme Member Survey - <i>Communications that suit needs, easy to understand and relevant.</i>	95.9%	%	G	G	95.0%	95.0%	High	Annual (Qtr 4)
5.2.4. % of positive responses from the Employer Survey - <i>Clarity of Website information.</i>	76%	%	A	R	95.0%	95.0%	High	Annual (Qtr 4)
5.2.5. Increase in response of the Scheme Member Survey compared to last year.	0.4%	%	G	G	Increase	Increase	High	Annual (Qtr 4)
5.2.6. Increase in response rate of the Employer Survey compared to last year.	-0.05%	%	R	A	Increase	Increase	High	Annual (Qtr 4)
5.2.7 Employer survey - feedback on training and educational materials - % of positive responses	87%	%	A	R	95.0%	95.0%	High	Annual (Qtr 4)

### Rationale for performance status and trend

**5.2.1** - In October 2019 a scheme member survey was issued to 500 scheme members (500 in November 2018) who were invited to participate. In addition, the survey was also made available online via the Essex Pension Fund website. 130 members responded to the survey. 61 responses were received to the question 'How clear was the information available on the EPF website?' 56 positive responses were received resulting in a 91.8% positive response rate. The previous survey result to this question was 92.5%.

**5.2.2** - In October 2019 a scheme member survey was issued to 500 scheme members (500 in November 2018) who were invited to participate. In addition, the survey was also made available online via the Essex Pension Fund website. 86 responses were received to the question 'How easy was the information in your Annual Benefit Statement to understand?' 79 positive responses were received resulting in a 91.8% positive response rate. The previous survey result to this question was 82%.

**5.2.3** - In October 2019 a scheme member survey was issued to 500 scheme members (500 in November 2018) who were invited to participate. In addition, the survey was also made available online via the Essex Pension Fund website. 97 responses were received to the question 'How would you rate EPF on providing relevant and easy to understand information?' 93 positive responses were received resulting in a 95.9% positive response rate. The previous survey result to this question was 100%.

**5.2.4** - In October 2019 an Employer Survey was issued to 684 Employers (654 in November 2018) who were invited to participate. 46 responses were received to the question to 'How would you rate the clarity of website information?'. 35 positive responses were received resulting in a 76% positive response rate. The previous survey result for this question 94%.

**5.2.5** - In October 2019 a scheme member survey was issued to 500 scheme members (500 in November 2018) who were invited to participate. In addition, the survey was also made available online via the Essex Pension Fund website. 130 members responded to the survey (128 in November 2018). This is an increase in 2 respondents (0.4%).

**5.2.6** - In October 2019 an Employer Survey was issued to 684 Employers (654 in November 2018) who were invited to participate. 53 Employers completed the survey (51 in November 2018). This is a decrease of -0.05%. Although there was an increase of 2 respondents there was also an increase in number of employers.

**5.2.7** - In October 2019 an Employer Survey was issued to 684 Employers (654 in November 2018) who were invited to participate. 31 responses were received on the usefulness the Fund's training events. 27 positive responses were received resulting in an 87% positive response rate. The previous survey result for this question was 92.7%.

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 and employers  
**Scope:** All scheme members and employers  
**Measure Owner:** David Tucker      **Data lead:** David Tucker and Amanda Crawford

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	3 yearly
5.3.2. % of positive responses from the Employer Survey - <i>Information available is helpful in employers understanding their responsibilities</i>	96%	%	G	G	95%	95%	High	Annual (4th Qtr)

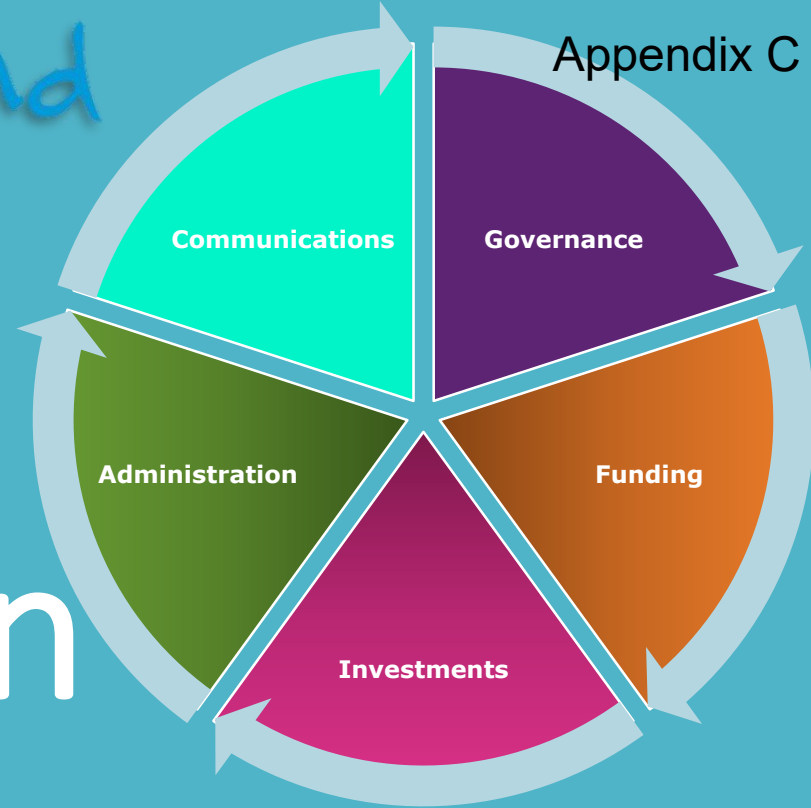
Rationale for performance status and trend

5.3.1 This measure has been removed as is it is out of the Fund's control.

5.3.2 In October 2019 an Employer Survey was issued to 684 Employers (654 in November 2018) who were invited to participate. 51 responses were received in relation to the Employer understanding their responsibilities. 51 positive responses were received resulting in a 96% positive response rate. In the previous survey the response to this question was 98%.



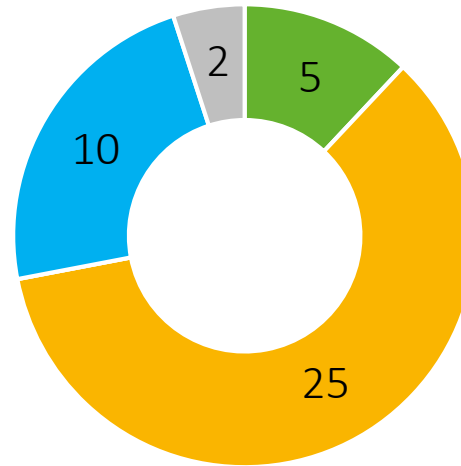
## 2020/21 Business Plan & Budget Progress Update



01 April 2020 – 31 August 2020

# Strategic BAU & Key Priorities

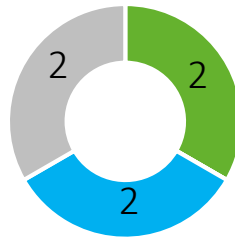
Essex Pension Fund



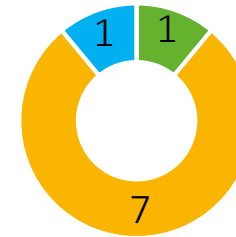
Of 42 Priorities

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

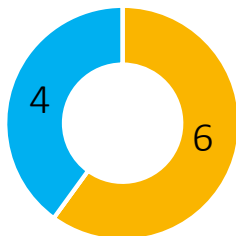
Funding



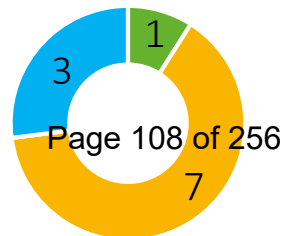
Administration



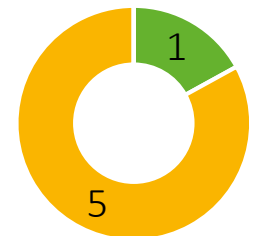
Governance



Investments



Communications

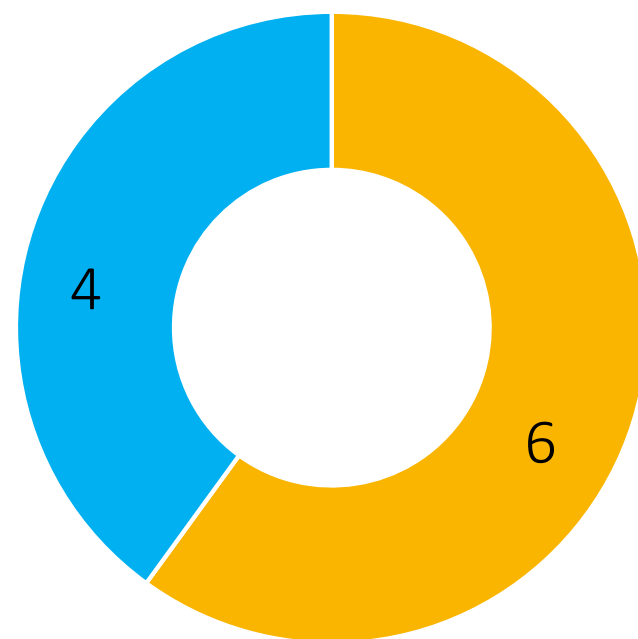




# 1. Progress - Governance



Strategic BAU & Key Priorities



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

## Strategic BAU & Key Priorities

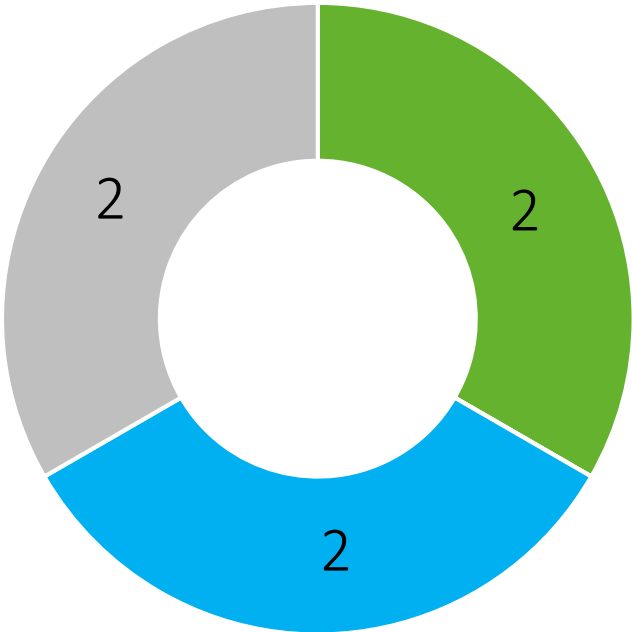
1. Agree 2021/22 Business Plan & Budget
2. Development & Implementation of Risk Management Strategy
3. LGPS Reform
4. Implementation of Members' knowledge and understanding
  - Training Needs Analysis
  - Review the revised Training Strategy (Knowledge & Skills)
5. Development of Business Continuity Policy, Plan (including Cyber security) and Testing
6. Commencement of Governance Review and Effectiveness Survey
7. Annual Review of Governance related Policies including the Governance Policy and Compliance Statement
8. Annual Statement of Accounts including compliance with CIPFA requirements
9. Annual review of Terms of Reference for PSB/ISC/PAB
10. Development & Implementation of Breaches Policy

# 2. Progress - Funding



Strategic BAU & Key Priorities	
1. Implementation of the outcome of the Actuarial Valuation in line with the Fund’s Funding Strategy Statement	Completed
2. Annual Interim Funding review	In Progress
3. Funding Strategy Statement review	Completed
4. Employing Authority discretions and delegations review	Not due to start
5. Employer Risk review	Not due to start
6. Undertake Interim review of the Fund’s Actuary	In Progress

Strategic BAU & Key Priorities

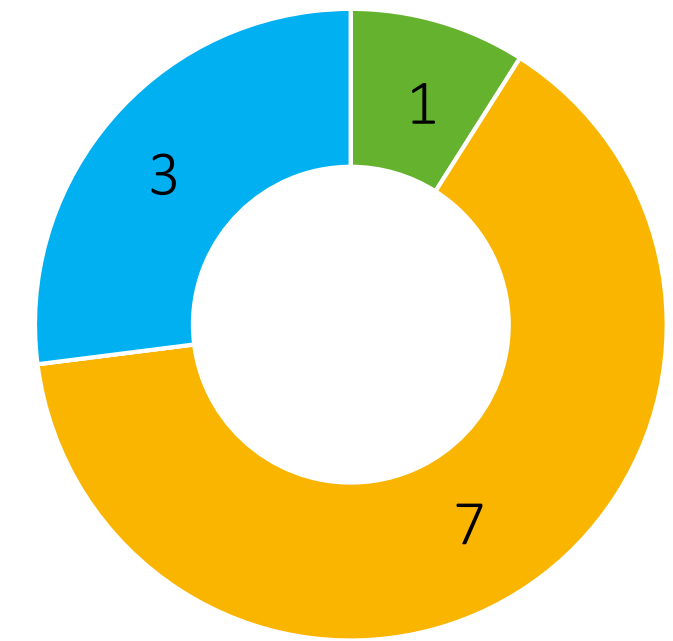


# 3. Progress - Investments

Strategic BAU & Key Priorities	
1. Strategic Asset Allocation review	In Progress
2. Commencement of Institutional Investment Consultant procurement	In Progress
3. Institutional Investment Consultant – CMA review	In Progress
4. Implementation of Independent Investment Adviser procurement	In Progress
5. Commencement of Global Custody procurement	In Progress
6. Asset/Liability Study	In Progress
7. Investment Strategy Statement review including Responsible Investment (RI) Policy	In Progress
8. 2021/22 Treasury Management Strategy review	In Progress
9. ACCESS collaboration	In Progress
10. Individual Manager review	In Progress
11. Review of CEM Benchmarking / Cost Transparency	Completed



Strategic BAU & Key Priorities



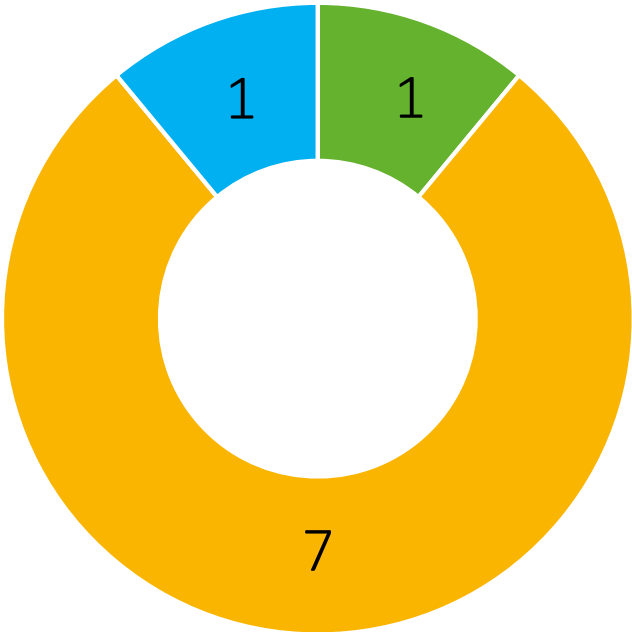
- Completed
- In Progress
- Delayed
- Not due to start
- Not Applicable

# 4. Progress - Administration



Strategic BAU & Key Priorities	
1. LGPS Reform – Planning for Administration changes: <ul style="list-style-type: none"> <li>• Unpausing of Cost Cap</li> <li>• £95k Cap</li> <li>• Goodwin</li> </ul>	In Progress
2. Review/Procure a Administration System Provider	Completed
3. Review and implementation of Pensions Single Payments provider	Not due to start
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online	In Progress
5. McCloud Preparation / Implementation	In Progress
6. Development of Monthly Returns Digital Transformation	In Progress
7. Data Improvement Plan	In Progress
8. Participation in National Fraud Initiative	In Progress
9. Monthly Bulk Leaver / Retire Online development/implementation	In Progress

Strategic BAU & Key Priorities



■ Completed

■ In Progress

■ Delayed

■ Not due to start

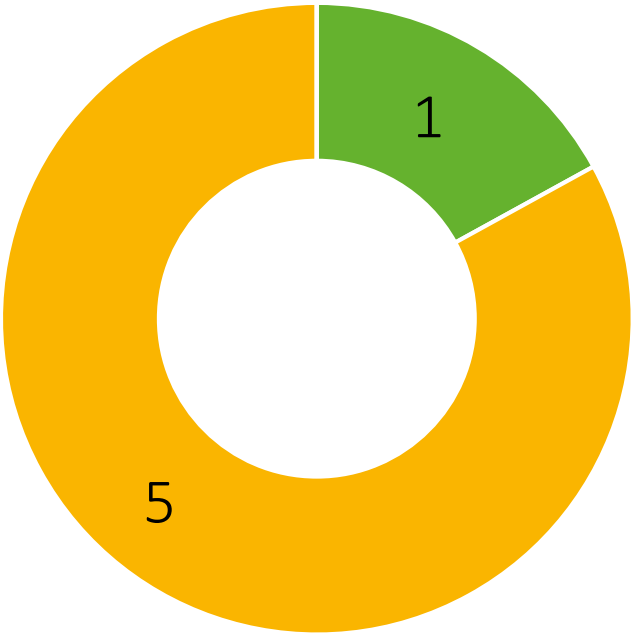
■ Not Applicable

# 5. Progress - Communications



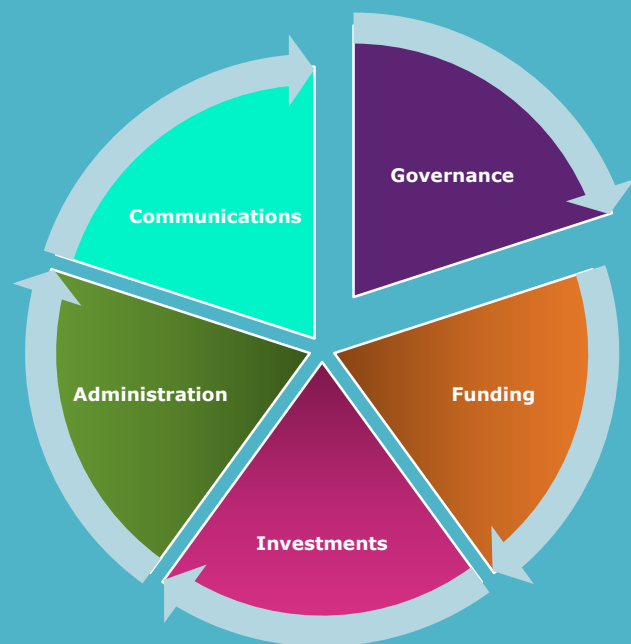
Strategic BAU & Key Priorities	
1. LGPS Reform: <ul style="list-style-type: none"><li>• Unpausing of Cost Cap</li><li>• £95k Cap</li><li>• Goodwin</li></ul>	In Progress
2. Greater Digitalisation of the Fund including the exploration of Electronic Communications therein	In Progress
3. McCloud Implications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

Strategic BAU & Key Priorities

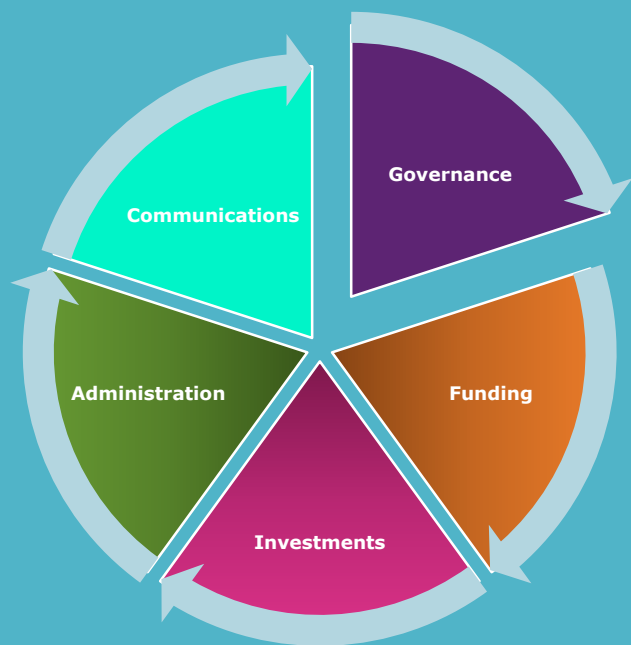


# Commentary

## 1. Governance



Strategic BAU & Key Priorities		Commentary
1. Agree 2021/22 Business Plan & Budget		2020/21 Business Plan & Budget was agreed at the 4 March 2020 PSB meeting. The 2021/22 Business Plan & Budget process will commence in Q4 2021.
2. Development & Implementation of Risk Management Strategy		The Risk Management Strategy has been formulated. Agenda Item 5 of the 23 September 2020 PSB Agenda Pack includes an update in regard to this matter.
3. LGPS Reform		Development periodically reviewed throughout the year.
4. Implementation of Members' knowledge and understanding <ul style="list-style-type: none"> <li>• Training Needs Analysis</li> <li>• Review the revised Training Strategy (Knowledge &amp; Skills)</li> </ul>		The Training Strategy and Training Plan has been reviewed. Agenda Item 5 of the 23 September 2020 PSB Agenda Pack includes an update in regard to this matter.
5. Development of Business Continuity Policy, Plan (including Cyber security) and Testing		The oversight of the development of the Business Continuity Plan was delegated to the PAB by the PSB at their 11 September 2019 meeting. The Policy is currently in draft and has been shared with the Independent Governance & Administration Adviser (IGAA) for comment. An Agenda Item on progress will be reported to the 23 September PAB meeting.
6. Completion of 256 Governance Review and Effectiveness Survey		This is due to commence in Q4 2020/21.



Strategic BAU & Key Priorities		Commentary
7. Annual Review of Governance related Policies including the Governance Policy and Compliance Statement		This is due to commence in Q3 2020/21.
8. Annual Statement of Accounts including compliance with CIPFA requirements		The production of the Annual Report and Accounts is in progress and is on course to be completed and published by the statutory deadline of 1 December 2020.
9. Annual review of Terms of Reference for PSB/ISC/PAB		This is due to commence in Q3 2020/21.
10. Development & Implementation of Breaches Policy		The Policy for Recording and Reporting Breaches has been formulated. Agenda Item 5 of the 23 September 2020 PSB Agenda Pack includes an update in regard to this matter.
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# Commentary

## 2. Funding

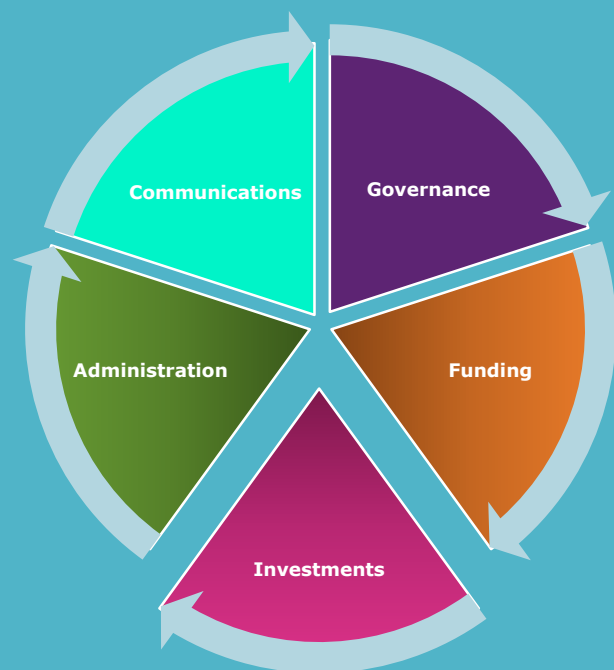


Strategic BAU & Key Priorities		Commentary
1. Implementation of the outcome of the Actuarial Valuation in line with the Fund's Funding Strategy Statement		Complete. The 2019 Actuarial Valuation has been implemented. New employer contribution rates were effective from 1 April 2020, in line with the Funds Rates and Adjustment Certificate.
2. Annual Interim Funding review		This is due to commence during Q3 2020/21. This would incorporate any changes from McCloud, Unpausing of Cost Cap, £95k Cap and Goodwin.
3. Funding Strategy Statement review		Complete. The Funding Strategy Statement is periodically reviewed and revisions communicated with Employers. The latest amendment made was in June 2020 in regard to Exit Credits following the PSB's agreement exercising the Out of Committee Decision Making process.
4. Employing Authority discretions and delegations review		Periodically reviewed as and when required.
5. Employer Risk review		Periodically reviewed as and when required.
6. Undertake Interim review of the Fund's Actuary		This is due to commence during Q3 2020/21.



# Commentary

## 3. Investments



Strategic BAU & Key Priorities		Commentary
1. Strategic Asset Allocation review		The Strategic Asset Allocation review is conducted on a Biannual basis and is reported to the ISC for decisions to be made as and when required. A review of the Fund's investment managers' as at 31 March 2020 was presented to the July 2020 ISC meeting.
2. Commencement of Institutional Investment Consultant procurement		Procurement to commence in Q3 2020/21.
3. Institutional Investment Consultant – CMA review		Review to take place during Q3 2020/21.
4. Implementation of Independent Investment Adviser procurement		The procurement of the Independent Investment Adviser commenced in August. The deadline for submission of interest to be submitted to Officers was 18 September 2020. An update will be provided to the ISC at their 21 October 2020 meeting.
5. Commencement of Global Custody procurement		The Fund is working with the National LGPS Framework colleagues on populating the providers on the Custody Framework. The timetable is on target for a go live of February 2020. The Fund is on schedule to commence procurement during Q4 2020/21.
6. Asset/Liability Study		Preliminary work has commenced with the outcome to be reported in Q4 2020/21.



Strategic BAU & Key Priorities		Commentary
7. Investment Strategy Statement review including Responsible Investment (RI) Policy		The draft ISS six week stakeholder consultation concluded on 16 September 2020. The outcome of the consultation will be reported to the ISC at their 21 October 2020 meeting.
8. 2021/22 Treasury Management Strategy review		The 2020/21 Treasury Management Strategy review was due to take place at the March 2020 ISC meeting but due to the circumstances around Covid-19 was deferred and agreed at the 21 July 2020 ISC meeting. The 2021/22 Treasury Management Strategy review will commence in Q4 2021.
9. ACCESS collaboration		Progress periodically reported to each ISC and PSB meeting.
10. Individual Manager review		Progress periodically reported to each ISC meeting.
11. Review of CEM Benchmarking / Cost Transparency		Complete. CEM Benchmarking review was undertaken on the Fund's costs as at 31 March 2019 and the outcome was reported to the ISC at their 21 July meeting.

# Commentary

## 4. Administration



Strategic BAU & Key Priorities		Commentary
1. LGPS Reform – Planning for Administration changes <ul style="list-style-type: none"> <li>• Unpausing of Cost Cap</li> <li>• £95k Cap</li> <li>• Goodwin</li> </ul>		Updates on the latest developments will be provided throughout the year. Agenda Item 15 of the 23 September 2020 PSB Agenda Pack includes an update in regard to this matter.
2. Review/Procure a Administration System Provider		Procurement completed on 3 August 2020. Civica, the Fund's current administration system provider was awarded a contract for 7 years with a provision to extend for a further period of up to three years.
3. Review and implementation of Pensions Single Payments provider		New timeline to be agreed in line with ECC Corporate Systems Project and will be fed into Finance & Technology Corporate Business Plan.
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online		<p>To date 48,000 (32%) individual scheme members have been invited to use "<i>Member online</i>" of whom 16750 (35%) are utilising this service.</p> <p>254 Employers have registered and are using "<i>Employer online</i>".</p> <p>Retire Online has gone live on '<i>Member Online</i>' where Deferred LGPS members aged over 55 can now run their own estimates and can officially retire with no input from EPF staff.</p>
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Strategic BAU & Key Priorities		Commentary
5. McCloud Preparation / Implementation		A McCloud project team was set up autumn 2019. Phase 1 communicating with and obtaining additional membership data from employers is in progress. Updates on the latest developments will be provided throughout the year. Agenda Item 15 of the 23 September 2020 PSB Agenda Pack includes an update in regard to this matter.
6. Development of Monthly Returns Digital Transformation		The Fund is on target to complete the development of the facility for the Fund Employers' to provide Monthly Returns digitally by the end of 2021/22.
7. Data Improvement Plan		In progress.
8. Participation in National Fraud Initiative		The Fund participate in the NFI and have moved this participation from an annual basis to a monthly basis.
9. Monthly Bulk Leaver/ Retire Online development / implementation		In progress.

# Commentary


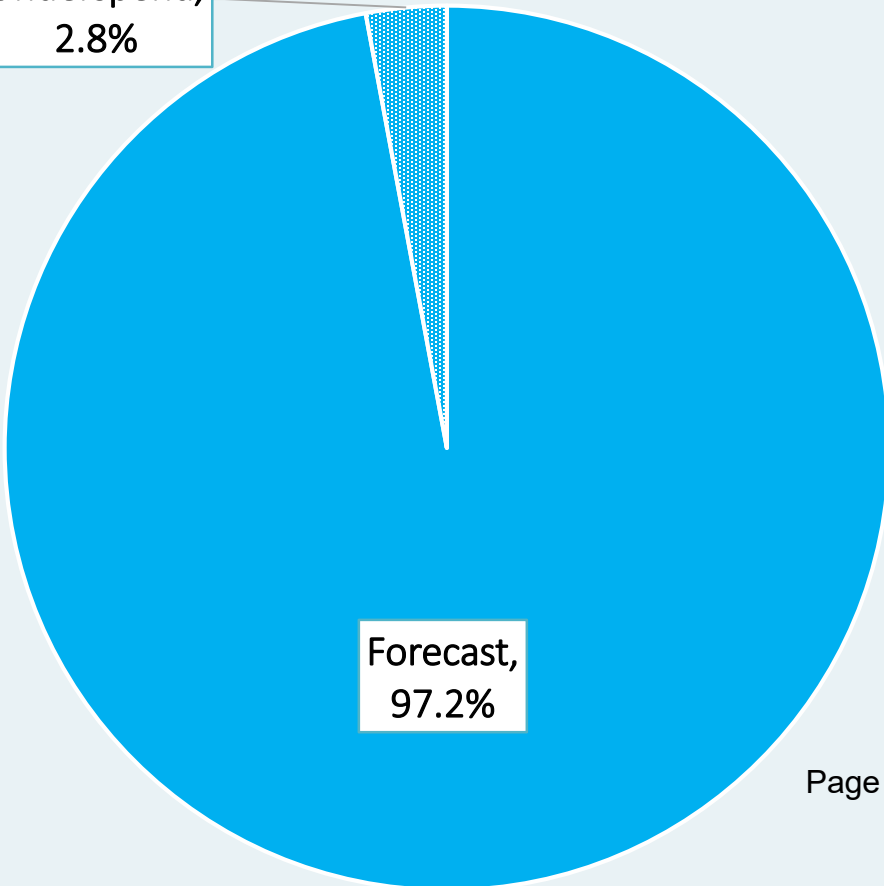





## 5. Communications



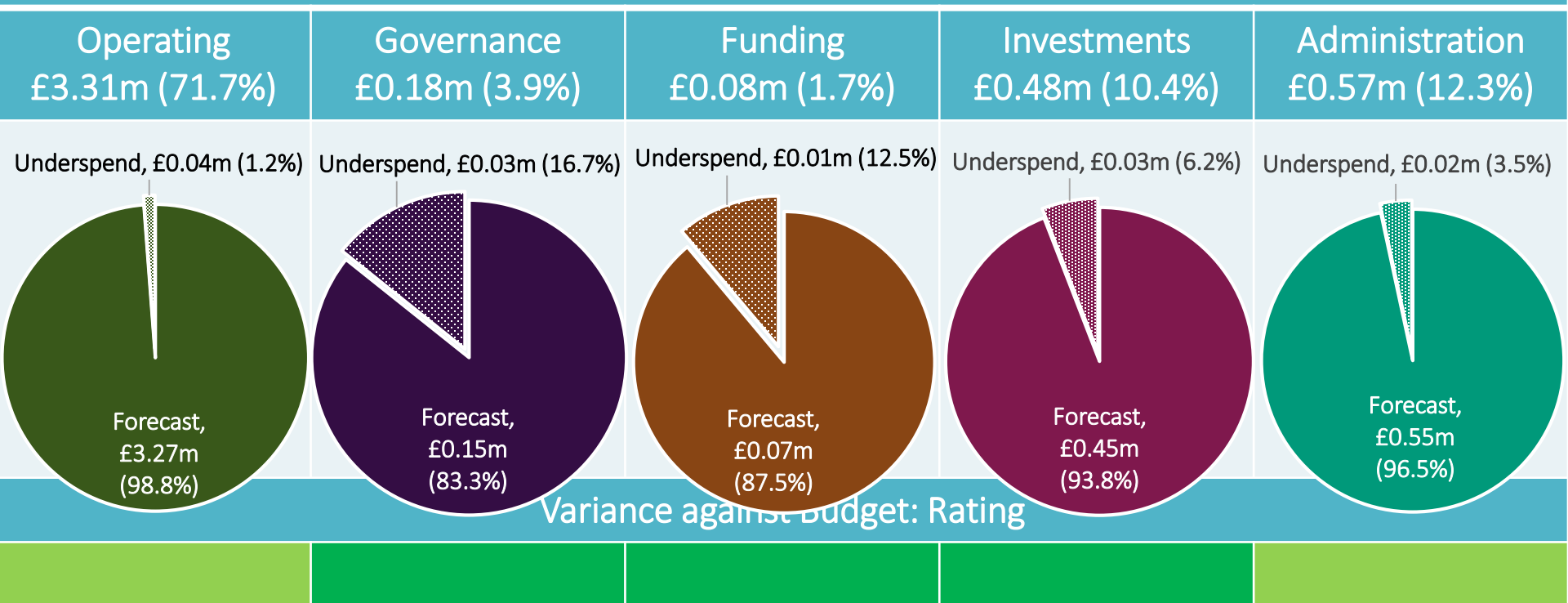
Strategic BAU & Key Priorities		Commentary
1. LGPS Reform: <ul style="list-style-type: none"> <li>Unpausing of Cost Cap</li> <li>£95k Cap</li> <li>Goodwin</li> </ul>		Updates on the latest developments will be provided throughout the year. Agenda Item 15 of the 23 September 2020 PSB Agenda Pack includes an update in regard to this matter.
2. Greater Digitalisation of the Fund including the exploration of Electronic Communications therein		This is a continuous process throughout the year.
3. McCloud Implications		A McCloud project team was set up autumn 2019 to ensure requirements are being actioned and communicated with Employers. Updates on the latest developments will be provided throughout the year.
4. Social Media Channel Exploration		The Fund have a LinkedIn Social Media Channel and are now exploring the use of a YouTube Channel to enable training webinars for Employers and/or Members to view as and when required.
5. Commencement of the Website review <b>Page 121 of 256</b>		The website review is in progress and is due for completion by the end of 2021/22.
6. Annual Benefit Statements review and development		Annual Benefit Statements for 2020/21 were issued by the statutory deadline of 31 August.

# EPF Budget vs Forecast 2020/21

## Q2 Progress Update

EPF Budget £4.62m	Current Forecast £4.49m	Variance (Under)/Overspend (£0.13m)	Rating 	Progress Update Commentary	Variance against Budget Key	
<div> <div>Underspend, 2.8%</div>  <div>Forecast, 97.2%</div> </div>				<p><i>A slight underspend is forecast against EPF 2020/21 Budget. Forecast based on the Fund's current FTE staffing structure and does not reflect the impact of the recent LGPS Reform announcements on the Fund's staffing resources and systems. A Resource Impact Assessment and Gap Analysis will need to be undertaken to assess the affect on delivery of statutory duties. The Budget and Forecast will be reassessed once outcome is known.</i></p>	(Under) spend > 5%	
					(Under) spend < 5%	
					On Budget	
					Over spend < 5%	
					Over spend > 5%	

# EPF Budget 2020/21: £4.62m



## Budget Commentary

EPF Staffing Budget slight underspend due to 1 FTE vacancy for half the year. The budget line also includes travel/conferences expenses. This underspend is due to current reliance on virtual, rather than physical meetings/conferences.

Underspend due to cancellation of June PSB/PAB and July training day and current reliance on virtual meetings and advise on Fund Policies coming within Budget.

Budget line includes actuarial and legal advise. Actuarial advise currently on Budget, however ,the Fund is forecasting a slight underspend on legal advise for 2020/21.

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Underspend due to cancellation of July training and current reliance on virtual meetings. Budget line contains a contingency for additional advise/work on Responsible Investment.

Current forecast does not reflect the new contract terms of Civica (administration system provider) contract that commenced in late August or the additional cost of regulatory updates to the system in regard to recent LGPS Reform announcement. Q3 Forecast will be updated to reflect the new Civica arrangements.





## Proposed Governance, Funding and Administration Measures for the New Scorecard

### Governance

New Scorecard – PROPOSALS	Measures
1.1 Provide a high quality service whilst maintaining value for money	
1.1.1 Fund's cost per member is within 2 <sup>nd</sup> /3 <sup>rd</sup> quartile of LGPS funds	Target: Annual 2 <sup>nd</sup> /3 <sup>rd</sup> quartile = green (any other score = red)
1.1.2 Number of Scheme Member / Employer / Other Stakeholder complaints	Target: 5 or under per reporting period = green; 6-10 per reporting period = amber; >10 = red
1.1.3 Number of Scheme Member / Employer / Other Stakeholder compliments (aim is to ensure the Fund receives more compliments than complaints)	Target: 15 or more per reporting period = green; 10-14 per reporting period = amber; <10 = red
1.1.4 Number if IDRP appeals against the Administering Authority upheld	Target: 0 = green; >0 = red
1.2 Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice	
1.2.1 Number of material breaches identified and reported to tPR	Target: 0 = green; >0 = red
1.2.2 % of tPR individual requirements that EPF is compliant in	Target: 90% = green; 85% = amber; <85% = red
1.2.3 % of Board/Committee agendas sent out 5 working days before meetings	Target: 100% = green, 99%-90% = amber; <90% = red
1.2.4 % of draft Board/Committee minutes uploaded to internet 12 working days after meetings	Target: 100% = green, 99%-75% = amber; <75% = red
1.2.5 EPF Policies and Publications are reviewed in line with the Business Plan and approved by the PSB/ISC where applicable	Target: yes = green; no = red
1.3 (A) Ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	
1.3.1 Board/Committee Members Training Strategy and Training plan in place	Target: yes = green; no = red
1.3.2 Individual Training Needs Analysis carried out for all Board/Committee Members in last 24 months	Target: yes = green; no = red
1.3.3 All new PSB, ISC, PAB members have internal induction training, and Training Needs Analysis, carried out	Target: yes = green; no = red

New Scorecard – PROPOSALS	Measures
within 3 months of confirmed appointment	
1.3.4 All desirable external events identified covering the period since the last scorecard have been attended by at least one member of the Management Team or relevant Officer / Board Member representative	Target: 95% = green; 85% = amber; <85% = red
1.3.5 PSB Members achieved required training credits within a rolling 2-year period	Target: 90% = green; 75% = amber; <75% = red
1.3.6 % attendance at meetings by PSB	Target: 80% = green; 70% = amber; <70% = red
1.3.7 ISC Members achieved required training credits within a rolling 2-year period	Target: 90% = green; 75% = amber; <75% = red
1.3.8 % attendance at meetings by ISC	Target: 80% = green; 70% = amber; <70% = red
1.3.9 PAB Members achieved required training credits within a rolling 2-year period	Target: 90% = green; 75% = amber; <75% = red
1.3.10 % attendance at meetings by PAB	Target: 80% = green; 70% = amber; <70% = red
1.4 Evolve and look for new opportunities, ensuring efficiency at all times	
1.4.1 Fund 3-year Business Plan and budget prepared and presented for approval prior to each new financial year, following consultation with the Fund's advisers/consultants	Target: yes = green; no = red
1.4.2 Progress against the Fund's Annual Business Plan reported to each PSB meeting	Target: yes = green; no = red
1.5 Act with integrity and be accountable to our stakeholders	
1.5.1 Number of complaints made against Board/Committee Members in relation to the work of the Fund	Target: 0 = green; >0 = red
1.5.2 Number of complaints upheld against Board/Committee Members in relation to the work of the Fund	Target: 0 = green; >0 = red
1.5.3 EPF Declaration forms completed or reaffirmed by PSB/ISC and PAB Members with Third Party Transactions completed to fulfil the statutory requirements for the production of the Fund's Financial Statements on an annual basis	Target: yes = green; no = red

New Scorecard – PROPOSALS	Measures
1.5.4 ECC Declaration forms completed or reaffirmed by Management Team Officers in with ECC Policy	Target: yes = green; no = red
1.5.5 PSB has provision for representatives of employers and scheme members. Appointees are currently in place	Target: yes = green; no = red
1.5.6 PAB has provision for representatives of employers and scheme members. Appointees are currently in place	Target: yes = green; no = red
1.6 Understand and monitor risk and compliance	
1.6.1 % of risks currently equal to or better than target risk rating	Target: 90% = green; 85% = amber, <85% = red
1.6.2 EPF have been subject to audit by ECC Internal Audit	Target: yes = green; no = red
1.6.3 Number of internal audit reviews finding satisfactory / good assurance	Target: 2+ = green; 1 = amber; 0 = red
1.6.4 Number of internal audit recommendations outstanding	Target: 0 = green; 1-3 = amber; >3 = red
1.6.5 EPF have been subject to audit by External Auditors	Target: yes = green; no = red
1.6.6 External Audit providing an unqualified opinion	Target: yes = green; no = red
1.7 Continually measure and monitor success against our objectives	
1.7.1 % priorities within current business plan on target for completion	Target: 90% = green; 85% = amber; <85% = red
1.7.2 Up to date scorecard provided to PSB and PAB for each meeting	Target: yes = green; no = red
1.8 Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved	
1.8.1 EPF Business Continuity Plan in place and reviewed in last 12 months	Target: yes = green; no = red
1.8.2 Business Continuity Testing Schedule (including cyber risk testing) in place for EPF and being tested regularly by the agreed dates	Target: yes = green; no = red
1.8.3 Number of material data security breaches by EPF	Target: 0 = green; >0 = red

## **Funding**

New Scorecard – PROPOSALS		Measures
2.1 To recognise in drawing up its Funding Strategy the desirability of employer contributions that are as stable as possible		
2.1.1 Stability mechanisms are included within the current Funding Strategy	Target: yes = green; no = red	
2.1.2 Employers are consulted during the Valuation process in consultation with the Funds Actuary	Target: yes = green; no = red	
2.2 To prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement		
2.2.1 Funds probability of reaching 100% funding target in the current valuation cycle	Target: >50% = green; 49% - 45% amber; <44% red	
2.3 Manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption, where necessary, of employer specific funding objectives		
2.3.1 The Funding Strategy incorporates different funding objectives for different groups of employers	Target: yes = green; no = red	
2.4 To ensure consistency between Investment Strategy and Funding Strategy		
2.4.1 Investment Strategy reviewed after Asset Liability Study is carried out using liability information from the latest actuarial valuation	Target: yes = green; no = red	
2.6 Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, or other employers and ultimately the tax payer from an employer defaulting on its pension obligations to minimise unrecoverable debt on termination of employer participation		
2.6.1 Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	Target: 0.00% = green, 0.001% - 0.004% = amber, 0.005%+ = red	
2.6.2 Deficit unrecoverable due to employers leaving scheme (as a proportion of Total Fund deficit)	Target: 0.00% = green, 0.001% - 0.004% = amber, 0.005%+ = red	

## **Administration**

New Scorecard – PROPOSALS	Comments
4.1 Deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need	
4.1.1 Meeting Fund's agreed timescales - Annual Benefit Statements issued to active members of LGPS (Career Average) by 31 August each year	Target: 100% = green; 99% = amber; <99% = red
4.1.2 Meeting Fund's agreed timescales - Annual Benefit Statement issued to deferred members by 30 June each year	Target: 95% = green; 85% = amber; <85% = red
4.1.3 Meeting Fund's agreed timescales - Letter detailing transfer in quote issued within 10 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.4 Meeting Fund's agreed timescales - Letter detailing transfer out quote issued within 10 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.5 Meeting Fund's agreed timescales - Process and pay a refund with 10 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.6 Meeting Fund's agreed timescales - Letter notifying estimated retirement benefits within 15 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.7 Meeting Fund's agreed timescales - Letter notifying actual retirement benefits within 15 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.8 Meeting Fund's agreed timescales - Process and pay lump sum retirement grant within 15 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.9 Meeting Fund's agreed timescales - Process and pay lump sum deferred into pay retirement grant within 15 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.10 Meeting Fund's agreed timescales - Letter acknowledging death of active / deferred / pensioner member within 5 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.11 Meeting Fund's agreed timescales - Letter notifying the amount of dependent's benefits within 10 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)

New Scorecard – PROPOSALS	Comments
4.1.12 Meeting Fund's agreed timescales - Calculate and notify deferred benefits within 30 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.13 Meeting Fund's agreed timescales - Letter detailing divorce quote cash equivalent value and other benefits within 45 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.14 Meeting Fund's agreed timescales – Once Fund is in receipt of all required data, letter detailing implementation of divorce settlement cash equivalent value and application of pension sharing order within 15 working days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.1.15 Meeting Fund's agreed timescales - Send notification of joining the LGPS to scheme member within 40 days	Target: 95% = green; 85% = amber; <85% = red (also measure against CIPFA average)
4.2 Ensure contribution income is collected from the right people at the right time in the right amount	
4.2.1 % of contributing employers submitting timely payments	Target: 100% = green; 99%-75% = amber; <75% = red
4.2.2 % of employers submitting employer contribution amounts in accordance with rates and adjustments certificate	Target: 100% = green; 99%-75% = amber; <75% = red
4.3 Ensure benefits are paid to the right people at the right time in the right amount	
4.3.1 Number of matches against NFI data which resulted in 'genuine fraud'	Target: 0 = green; >0 = red
4.3.2 Meeting Fund's agreed measure for the common data score (in line with what is provided to TPR annually)	Target: 95% = green; 90% = amber; <90% = red
4.3.3 Meeting legally required agreed timescales - Annual Benefit Statements issued to active members of LGPS (Career Average) by 31 August each year	Target: 100% = green; 99% Amber; <99% = red
4.3.4 Meeting legally required agreed timescales - Annual Benefit Statement issued to deferred members by 31 August each year	Target: 100% = green; 99% Amber; <99% = red

New Scorecard – PROPOSALS	Comments
4.4 Ensure the Fund employers are aware of and understand their roles and responsibilities, and carry out their functions in line with legislation, guidance and the Fund's agreed policies and procedures	
4.4.1 % of annual returns (year-end) submitted on time by employers	Target: 90% = green; 85% amber; <85% red
4.4.2 % of annual returns (year-end) which passed validation first time	Target: 90% = green; 85% amber; <85% red

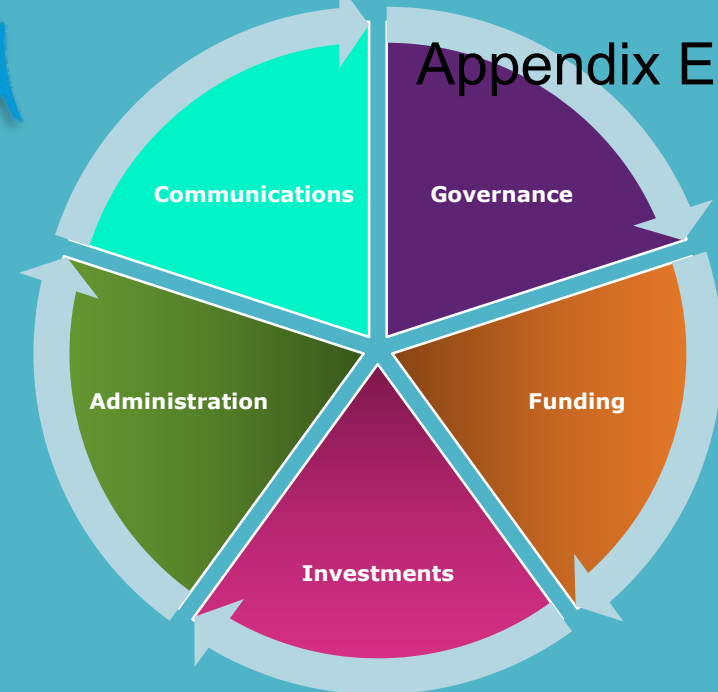




## 2020/21 Scorecard Update

01 April 2020 – 31 August 2020

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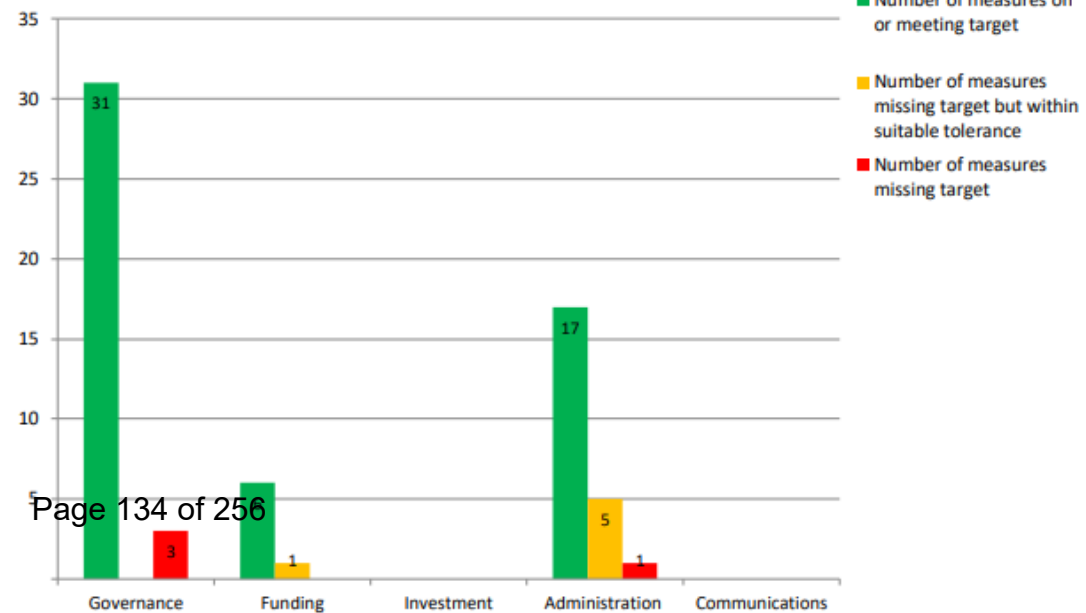


# Current Status

Progress towards meeting EPF objectives



Measuring against objectives - summary



# Movements since previous scorecard










# 1. Exceptions - Governance

Measure	Score as at 31 March 2020	Score as at 31 August 2020	Detail	Trend
1.2.6 % of Board/Committee minutes uploaded to internet within 12 working days after meetings			One ISC meeting was held on 21 July 2020 (whereby the minutes were published 1 day later than the required timeframe). The June PSB and PAB meetings were cancelled due to the Coronavirus pandemic.	
1.3.3 All new PSB, ISC, PAB Members have internal induction training and Training Needs Analysis carried out within 3 months of confirmed appointment			This is a new measure which Officers have measured retrospectively against to provide the 31 March 2020 score. Three new Members have been appointed since 01 April 2020: PSB/ISC Sub Member Cllr M Durham from 01 May 2020; PSB Member R Hadley from 02 June 2020; and PAB Member Cllr M Bracken from 18 August 2020. Due to the Coronavirus pandemic, induction training and the Training Needs Analysis have not yet been undertaken. Two of the new Members are due to complete their induction training on 16 September 2020.	
1.3.8 % attendance at meetings by ISC			This is in relation to the 21 July ISC meeting achieving 89% attendance against a target of 80%. (Previous score was 78%).	
1.3.10 % attendance at meetings by PAB			No PAB meetings occurred in this scoring period. The meeting that was due to take place in June was cancelled due to the Coronavirus pandemic. The previous score measure as at 31 March 2020 was 78%.	



# 1. Exceptions - Governance

Measure	Score as at 31 March 2020	Score as at 31 August 2020	Detail	Trend
1.5.3 EPF declaration forms completed or reaffirmed by PSB/ISC and PAB Members with Third Party Transactions Declarations completed to fulfil the statutory requirements for the production of the Fund's Financial Statements on an annual basis			Declarations from PSB/ISC Members have been completed with two Members outstanding. PAB Members declarations issued on 16 September 2020 for completion. All third party transaction declarations were completed for the production of the Fund's Financial Statements.	
1.6.1 % of risks currently equal to or better than total target risk rating			As at 31 August 2020, 42 out of 46 risks (91%) were assessed as equal to or better than the target score. The previous score as at 31 March 2020 was 40 out of 46 risks (87%).	



# 2. Exceptions - Funding

Measure	Score as at 31 March 2020	Score as at 31 August 2020	Detail	Trend
2.6.1 Potentially unrecoverable deficit due to employers leaving scheme (as a % of Total Fund deficit)			<p>For the previous valuation period April 2017 to 31 March 2020, 2 employers went into liquidation representing less than 0.001 % of the £6.6bn Fund as at March 2020.</p> <p>The Fund now has one liquidation in progress as a result of Covid-19, the value will be shared at a future PSB meeting.</p>	



# 4. Exceptions - Administration

Measure	Score as at 31 March 2020	Score as at 31 August 2020	Detail	Trend
4.1.3 Meeting Fund's agreed timescales – Letter detailing transfer in quote issued within 10 working days			Slight improvement from 89% in 2018/19 to 90% in 2019/20 against a target of 95%.	
4.1.4 Meeting Fund's agreed timescales – Letter detailing transfer out quote issued within 10 working days			Improved from 89% in 2018/19 to 95% in 2019/20 against a target of 95%.	
4.1.5 Meeting Fund's agreed timescales – Process and pay a refund within 10 working days			Slight decrease from prior year from 96% in 2018/19 to 93% in 2019/20 against a target of 95%.	
4.1.12 Meeting Fund's agreed timescales – Calculate and notify deferred benefits within 30 working days			For 2019/20 achieved 78% which was a decrease from 90% in 2018/19 against a target of 95%. This was due to the increase of retrospective notifications.	
4.1.14 Meeting Fund's agreed timescales – Once Fund is in receipt of all required data, letter detailing implementation of divorce settlement cash equivalent value and application of pension sharing order			New measure – For 2019/20 achieved 92% against a target of 95%.	N/A

# 4. Exceptions - Administration



Measure	Score as at 31 March 2020	Score as at 31 August 2020	Detail	Trend
4.2.1 % of contributing employers submitting timely payments			A slight improvement in score from 97.6% as at 31 March 2020 to 98.5% in current scoring period.	
4.2.2 % of employers submitting employer contributions amounts in accordance with rates and adjustments certificate			New measure - Against a target of 100%.	N/A



Essex Pension Fund  
Strategic Objectives Dashboard

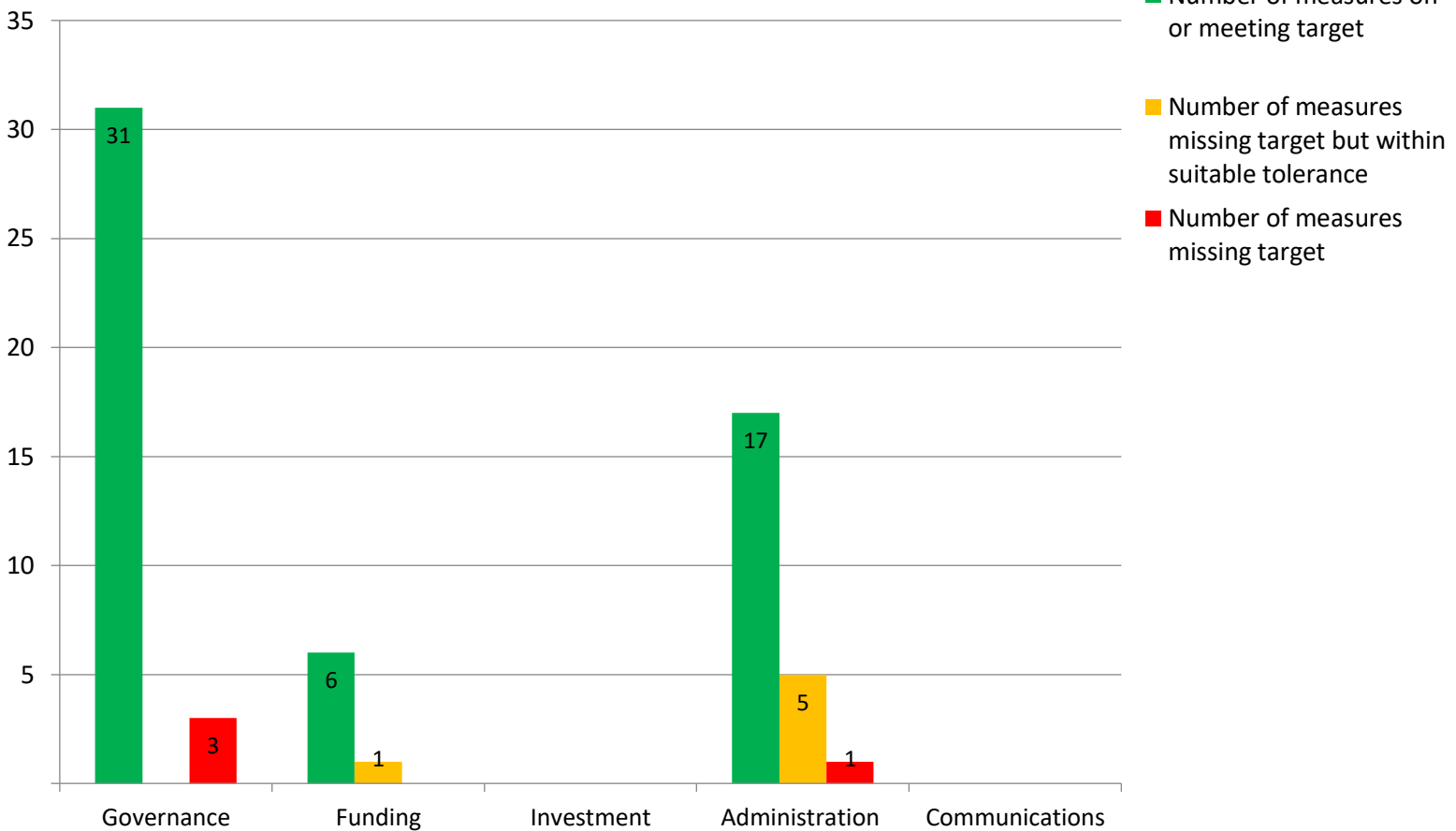
15 September 2020

Executive Summary

Progress towards meeting EPF objectives



Measuring against objectives - summary



Movements since previous scorecard



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

Governance

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

Measure Owner: Amanda Crawford      Data lead: David Tucker

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.1.1.	Fund's cost per member is within 2nd/3rd quartile of LGPS funds	Yes	Yes / No	31 Aug 2020			Within 2nd/3rd quartile	Yes	N/A	N/A	Annual (Approx Dec)
1.1.2.	Number of Scheme Member / Employer / Other Stakeholder complaints	5	# Odp	31 Aug 2020			Number	5	10	Low	Scorecard period
1.1.3.	Number of Scheme Member / Employer / Other Stakeholder compliments	29	# Odp	31 Aug 2020			Number	15	10	High	Scorecard period
1.1.4.	Number of IDRP appeals against the Administering Authority upheld	0	# Odp	31 Aug 2020			Number	0	N/A	Low	Scorecard period

Notes relating to results

1.1.1 - Cost per member was £16.94 (within 2nd quartile) in 2018/19 (£16.41 in 2017/18) compared to the CIPFA Benchmarking average of £21.34. (The CIPFA Benchmarking average for 2017/18 was £21.85.)

The 2019/20 data will not be available until December 2020.

Governance

1.2 - Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice

Measure Owner: Amanda Crawford      Data lead: Amanda Crawford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.2.1.	Number of material breaches identified and reported to TPR	0	# Odp	31 Aug 2020			Number	0	N/A	Low	Scorecard period
1.2.4.	% of TPR Code individual requirements that EPF is compliant in	91%	% Odp	31 Aug 2020			% compliant	90%	85%	High	Annual (March)
1.2.5.	% of Board/Committee agendas sent out 5 working days before meetings	100%	% Odp	31 Aug 2020			% issued	100%	90%	High	Scorecard period
1.2.6.	% of Board/Committee minutes uploaded to internet within 12 working days after meetings	0%	% Odp	31 Aug 2020			% uploaded	100%	75%	High	Scorecard period
1.2.7.	All EPF Policies and Publications are reviewed in line with the Business Plan and approved by the PSB/ISC where applicable	Yes	Yes / No	31 Aug 2020			All reviewed	Yes	N/A	N/A	Current (each scorecard)

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

1.2.4 - The Fund's assessment against the individual requirements within the TPR Code were reported to the PSB at their 04 March 2020 meeting.

1.2.6 - One ISC meeting was held on 21 July 2020 (whereby the minutes were published 1 day later than the required timeframe). The June PSB and PAB meetings were cancelled due to the Coronavirus pandemic.

Governance

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

Measure Owner: Amanda Crawford      Data lead: Amanda Crawford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.3.1.	Board/Committee Members Training Strategy (Knowledge & Skills) and Training plan in place	Yes	Yes / No	31 Aug 2020			In place	Yes	N/A	N/A	Current (each scorecard)
1.3.2.	Individual Training Needs Analysis carried out for all Board/Committee Members in last 24 months		Yes / No				All carried out	Yes	N/A	N/A	2-year rolling
1.3.3.	All new PSB, ISC, PAB members have internal induction training and Training Needs Analysis carried out within 3 months of confirmed appointment	No	Yes / No	31 Aug 2020			All carried out	Yes	N/A	High	12-month rolling
1.3.4.	All desirable external events identified covering the period since the last scorecard have been attended by at least one member of the Management Team or relevant Officer / Board Member representative	100%	% Odp	31 Aug 2020			% attended	95%	85%	High	Scorecard period
1.3.5.	PSB Members achieved required training credits within a rolling 2-year period	116%	% Odp	31 Aug 2020			% achieved	90%	75%	High	2-year rolling
1.3.6.	% attendance at meetings by PSB	100%	% Odp	31 Aug 2020			% attended	80%	70%	High	Scorecard period
1.3.7.	ISC Members achieved required training credits within a rolling 2-year period	122%	% Odp	31 Aug 2020			% achieved	90%	75%	High	2-year rolling
1.3.8.	% attendance at meetings by ISC	89%	% Odp	31 Aug 2020			% attended	80%	70%	High	Scorecard period
1.3.9.	PAB Members achieved required training credits within a rolling 2-year period		% Odp				% achieved	90%	75%	High	2-year rolling
1.3.10.	% attendance at meetings by PAB	100%	% Odp	31 Aug 2020			% attended	80%	70%	High	Scorecard period

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

1.3.2 & 1.3.9 - These are new measures of which previous performance information is unavailable.

1.3.3 - Three new Members have been appointed since 01 April 2020: PSB/ISC Sub Member Cllr M Durham from 01 May 2020; PSB Member R Hadley from 02 June 2020; and PAB Member Cllr M Bracken from 18 August 2020. Due to the Coronavirus pandemic, induction training and the Training Needs Analysis have not yet been undertaken. Two of the new Members are due to complete their induction training on 16 September 2020.

1.3.6 - No PSB meetings occurred in this scoring period. The meeting that was due take place in June was cancelled due to the Coronavirus pandemic. The previous score measure as at 31 March 2020 was 100%.

1.3.8 - The previous score for this measure as at 31 March 2020 was 78%.

1.3.10 -No PAB meetings occurred in this scoring period. The meeting that was due take place in June was cancelled due to the Coronavirus pandemic. The previous score measure as at 31 March 2020 was 78%.

Governance

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

Measure Owner: Jody Evans      Data lead: Amanda Crawford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.4.1.	Fund 3-year Business Plan and budget prepared and presented for approval prior to each new financial year, following consultation with the Fund's advisers/consultants	Yes	Yes / No	31 Aug 2020			Achieved	Yes	N/A	N/A	Annual (31st March)
1.4.2.	Progress against the Fund's Annual Business Plan reported to each PSB meeting	Yes	Yes / No	31 Aug 2020			Achieved	Yes	N/A	N/A	Scorecard Period

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

1.4.1 - The Business Plan for 2020/21 to 2022/23 was approved at the 04 March 2020 PSB Meeting. The 2020/21 Budget was also approved at this meeting.

1.4.2 - The progress against the Fund's Business Plan & Budget is provided at Agenda Item 6 of this Agenda pack.

Governance

1.5 - Act with integrity and be accountable to our stakeholders

Measure Owner: Amanda Crawford    Data lead: Amanda Crawford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.5.1.	Number of complaints made against Board/Committee Members in relation to the work of the Fund	0	# Odp	31 Aug 2020			Number	0	N/A	Low	Current (each scorecard)
1.5.2.	Number of complaints upheld against Board/Committee Members in relation to the work of the Fund	0	# Odp	31 Aug 2020			Number	0	N/A	Low	Current (each scorecard)
1.5.3.	EPF declaration forms completed or reaffirmed by PSB/ISC and PAB Members with Third Party Transactions Declarations completed to fulfil the statutory requirements for the production of the Fund’s Financial Statements on an annual basis	No	Yes / No	31 Aug 2020			All completed	Yes	N/A	N/A	Annual
1.5.4.	ECC declaration forms completed or reaffirmed by Management Team Officers in with ECC Policy	Yes	Yes / No	31 Aug 2020			All completed	Yes	N/A	N/A	Annual
1.5.5.	PSB has provision for representatives of employers and scheme members. Appointees are currently in place	Yes	Yes / No	31 Aug 2020			All in place	Yes	N/A	N/A	Current (each scorecard)
1.5.6.	PAB has provision for representatives of employers and scheme members. Appointees are currently in place	Yes	Yes / No	31 Aug 2020			All in place	Yes	N/A	N/A	Current (each scorecard)

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

1.5.3 - Declarations from PSB/ISC Members have been completed with two Members outstanding. PAB Members declarations issued on 16 September 2020 for completion. All third party transaction declarations were completed for the production of the Fund's Financial Statements.

1.5.4 - ECC declaration forms were completed in November 2019 and will be completed again during Quarter 3 of 2020/21.

Governance

1.6 - Understand and monitor risk and compliance

Measure Owner: Amanda Crawford      Data lead: Samantha Andrews

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.6.1.	% of risks currently equal to or better than total target risk rating	91%	% Odp	31 Aug 2020			% of risks	90%	85%	High	Current (each scorecard)
1.6.2.	EPF have been subject to audit by ECC Internal Audit	Yes	Yes / No	31 Aug 2020			Audit done	Yes	N/A	N/A	12-month rolling
1.6.3.	Number of internal audit reviews finding satisfactory / good governance	2	# Odp	31 Aug 2020			Number	2	1	High	12-month rolling
1.6.4.	Number of internal audit recommendations outstanding	0	# Odp	31 Aug 2020			Number	0	3	Low	12-month rolling
1.6.5.	EPF have been subject to audit by External Auditors		Yes / No	31 Aug 2020			Audit done	Yes	N/A	N/A	12-month rolling
1.6.6.	External Audit providing an unqualified opinion		Yes / No	31 Aug 2020			Un-qualified opinion received	Yes	N/A	N/A	12-month rolling

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

1.6.1 - As at 31 August 2020, 42 out of 46 risks (91%) were assessed as equal to or better than the target score. The previous score as at 31 March 2020 was 40 out of 46 risks (87%).

1.6.2 - 1.6.4 - The Fund were subject to Internal Audit and were issued with the Audit Report in May 2020 achieving Good Assurance and no recommendations.

1.6.5 & 1.6.6 - The Fund is currently in the process of being audited by BDO, the External Auditors, and the audit completion report and opinion are still pending.

Governance

1.7 - Continually measure and monitor success against our objectives

Measure Owner: Jody Evans      Data lead: Amanda Crawford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.7.1.	% priorities within current business plan on target for completion	100.0%	% 1dp	31 Aug 2020			% on target	90.0%	85.0%	High	Current (each scorecard)
1.7.2.	Up to date scorecard provided to PSB and PAB for each meeting	Yes	Yes / No	31 Aug 2020			Scorecard provided	Yes	N/A	N/A	Scorecard period

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

1.7.1 & 1.7.2 - Updates are provided at Agenda Item 6 of this Agenda Pack.



Governance

1.8 - Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved

Measure Owner: Amanda Crawford      Data lead: Amanda Crawford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
1.8.1.	EPF business continuity plan in place and reviewed in last 12 months	Yes	Yes / No	31 Aug 2020			Complete & reviewed	Yes	N/A	N/A	12-month rolling
1.8.2.	Business Continuity Testing Schedule (including cyber risk testing) in place for EPF and being tested regularly by agreed dates	Yes	Yes / No	31 Aug 2020			Complete & being met	Yes	N/A	N/A	Current (each scorecard)
1.8.3.	Number of material data security breaches by EPF	0.0	# Odp	31 Aug 2020			Number	0	N/A	Low	Scorecard period

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

1.8.2 - The Testing Schedule for EPF is currently in development, however EPF form part of the ECC testing schedule which is managed by the Business Continuity Champion for ECC.

Funding

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

Measure Owner: Sara Maxey Data lead: Sara Maxey

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
2.1.1.	Stability mechanisms are included within the current Funding Strategy	Yes	Yes / No	31 Aug 2020			Mechanism included	Yes	N/A	N/A	Triennial (approx March)
2.1.2.	Employers are consulted during the Valuation process in consultation with the Fund's Actuary	Yes	Yes / No	31 Aug 2020			All are consulted	Yes	N/A	N/A	Triennial (approx March)

Notes relating to results

<p>2.1.1 - The Funding Strategy Statement (FSS) is reviewed at least every three years as part of the Valuation process to include suitable stability mechanisms. The FSS was approved by the PSB at their 04 March 2020 meeting and was published by the statutory deadline of 31 March 2020.</p>
<p>2.1.2 - During consultation on the 2020 Funding Strategy, each of the 17 major precepting bodies were consulted and agreed options for payment of employer contributions. Rates and adjustment certificates have been issued. The 17 major precepting bodies are listed below: Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough 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, Tendering District Council, Thurrock Borough Council, Uttlesford District Council, Essex Police Authority, Essex Fire Authority.</p>

Funding

2.2 To prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement

Measure Owner: Sara Maxey      Data lead: Sara Maxey

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
2.2.1.	Funds probability of reaching 100% funding target in the current valuation cycle	75%	% Odp	31 Aug 2020			% prob-ability	50%	45%	High	Triennial (approx March)

Notes relating to results

2.2.1 - Following the Actuarial Valuation, an asset liability study was undertaken by the Fund's Institutional Investment Consultants, Hymans Robertson. This was considered by the Investment Steering Committee at its meeting on 12 October 2017.

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 25 years time as 75%.

Following the 2019 Actuarial Valuation, the Asset Liability Study will be undertaken during 2020/21.

Funding

2.3 Manage employers’ liabilities effectively, having due consideration of each employer’s strength of covenant, by the adoption, where necessary, of employer specific funding objectives

Measure Owner: Sara Maxey    Data lead: Sara Maxey

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
2.3.1.	The Funding Strategy incorporates different funding objectives for different groups of employers	Yes	Yes / No	31 Aug 2020			Different objectives in place	Yes	N/A	N/A	Triennial (Valuation date + 1 year)

Notes relating to results

2.3.1 - The Funding Strategy Statement (FSS) was agreed by the Board at their 04 March 2020 meeting.

Funding

2.4 To ensure consistency between Investment Strategy and Funding Strategy

Measure Owner: Sara Maxey    Data lead: Sara Maxey

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
2.4.1.	Investment Strategy reviewed after Asset Liability Study is carried out using liability information from the latest actuarial valuation	Yes	Yes / No	31 Aug 2020			Strategy review complete	Yes	N/A	N/A	Triennial (Valuation Date + 2 years)

Notes relating to results

2.4.1 - This measure highlights that the ISC on 12 October 2017 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 2016 Actuarial Valuation.

The Asset Liability Study following the completion of the 2019 Actuarial Valuation will be undertaken during 2020/21.

Funding

2.5 Maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund

Measure Owner: Sara Maxey      Data lead: Sara Maxey

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
Notes relating to results											
This measure is still under development.											

Funding

2.6 Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, or other employers and ultimately the tax payer from an employer defaulting on its pension obligations to minimise unrecoverable debt on termination of employer participation

Measure Owner: Sara Maxey    Data lead: Sara Maxey

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
2.6.1.	Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.001%	% 3dp	31 Aug 2020			% potential unrecoverable debt	0.000%	0.004%	Low	Current (each scorecard)
2.6.2.	Deficit unrecoverable due to employers leaving scheme (as a proportion of Total Fund deficit)	0.000%	% 3dp	31 Aug 2020			% actual unrecoverable debt	0.000%	0.004%	Low	Scorecard period

Notes relating to results

<p>2.6.1 - For the previous valuation period April 2017 to 31 March 2020, 2 employers went into liquidation representing less than 0.001 % of the £6.6bn Fund as at 31 March 2020.</p> <p>The Fund now has one liquidation in progress as a result of Covid-19, the value will be shared at a future PSB meeting.</p> <p>2.6.2 - As in 2.6.1, a liquidation is in progress, however the outcome of the potential recovery will not be known until the Insolvency Practitioners have completed due process.</p>
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Administration

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

Measure Owner: Chris Pickford Data lead: Chris Pickford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency	Supple-mentary
4.1.1.	Meeting Fund's agreed timescales - Annual Benefit Statements issued to active members of LGPS (Career Average) by 31 August each year	100%	% Odp	31 Aug 2020			% achieved	100%	99%	High	Annual (31st August)	100.00%
4.1.2.	Meeting Fund's agreed timescales - Annual Benefit Statement issued to deferred members by 30 June each year	100%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual (30th June)	100.00%
4.1.3.	Meeting Fund's agreed timescales - Letter detailing transfer in quote issued within 10 working days	90%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	89.00%
4.1.4.	Meeting Fund's agreed timescales -Letter detailing transfer out quote issued within 10 working days	95%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	89.00%
4.1.5.	Meeting Fund's agreed timescales - Process and pay a refund with 10 working days	93%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	96.00%
4.1.6.	Meeting Fund's agreed timescales - Letter notifying estimated retirement benefits within 15 working days	98%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	98.00%
4.1.7.	Meeting Fund's agreed timescales - Letter notifying actual retirement benefits within 15 working days	99%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	99.00%
4.1.8.	Meeting Fund's agreed timescales - Process and pay lump sum retirement grant within 15 working days	99%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	
4.1.9.	Meeting Fund's agreed timescales - Process and pay lump sum deferred into pay retirement grant within 15 working days	98%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	
4.1.10.	Meeting Fund's agreed timescales - Letter acknowledging death of active / deferred / pensioner member within 5 working days	100%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	100.00%
4.1.11.	Meeting Fund's agreed timescales - Letter notifying the amount of dependent's benefits within 10 working days	98%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	98.00%
4.1.12.	Meeting Fund's agreed timescales - Calculate and notify deferred benefits within 30 working days	78%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	90.00%
4.1.13.	Meeting Fund's agreed timescales - Letter detailing divorce quote cash equivalent value and other benefits within 45 working days	97%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	
4.1.14.	Meeting Fund's agreed timescales – Once Fund is in receipt of all required data, letter detailing implementation of divorce settlement cash equivalent value and application of pension sharing order within 15 working days	92%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	
4.1.15.	Meeting Fund's agreed timescales - Send notification of joining the LGPS to scheme member within 40 days	99%	% Odp	31 Aug 2020			% achieved	95%	85%	High	Annual	

Notes relating to results

4.1.3 - This has increased from 89% in 2018/19 to 90% in 2019/20.  
4.1.4 - This has increased from 89% in 2018/19 to 95% in 2019/20.  
4.1.5 - This has decreased from 96% in 2018/29 to 93% in 2019/20.  
4.1.8 & 4.1.9 - These are new measures of which previous performance information is unavailable .  
4.1.12 - This has decreased from 90% in 2018/19 to 78% in 2019/20 due to the increase of retrospective notifications.  
4.1.13, 4.1.14 & 4.1.15 - These are new measures of which previous performance information is unavailable.

The supplementary information shows the scores the Fund achieved during 2018/19.

A full update on the results will be presented to the Board at a future meeting when the CIPFA Benchmarking information is made available.



Administration

4.2 - Ensure contribution income is collected from, the right people at the right time in the right amount

Measure Owner: Sara Maxey    Data lead: Sara Maxey

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
4.2.1.	% of contributing employers submitting timely payments	98.5%	% 1dp	31 Aug 2020			% achieved	100.0%	97.0%	High	Scorecard period
4.2.2.	% of employers submitting employer contribution amounts in accordance with rates and adjustments certificate	99.8%	% 1dp	31 Aug 2020			% achieved	100.0%	97.0%	High	Scorecard period

Notes relating to results

4.2.1 - The previous score was 97.6%.

4.2.2 - This is a new measure of which previous performance information is unavailable.

Administration

4.3 - Ensure benefits are paid to the right people at the right time in the right amount

Measure Owner: Chris Pickford      Data lead: Chris Pickford

Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
4.3.1.	Number of matches against NFI data which resulted in 'genuine fraud'	0	# Odp	31 Aug 2020			Number	0	N/A	Low	Scorecard period
4.3.2.	Meeting Fund's agreed measure for the common data score (in line with what is provided to TPR annually)	95%	% Odp	31 Aug 2020			% score	95%	90%	High	Annual (Approx Dec)
4.3.4.	Meeting legally required agreed timescales - Annual Benefit Statements issued to active members of LGPS (Career Average) by 31 August each year	100%	% Odp	31 Aug 2020			% achieved	100%	99%	High	Annual (Approx Sept)
4.3.5.	Meeting legally required agreed timescales - Annual Benefit Statement issued to deferred members by 31 August each year	100%	% Odp	31 Aug 2020			% achieved	100%	99%	High	Annual (Approx Sept)

Notes relating to results

Officers have measured retrospectively against the new Scorecard measures where possible.

4.3.2 - This is a new measure of which previous performance information is unavailable.

Administration

4.4 - Ensure the Fund employers are aware of and understand their roles and responsibilities, and carry out their functions in line with legislation, guidance and the Fund’s agreed policies and procedures.

Measure Owner: Chris Pickford      Data lead: Chris Pickford

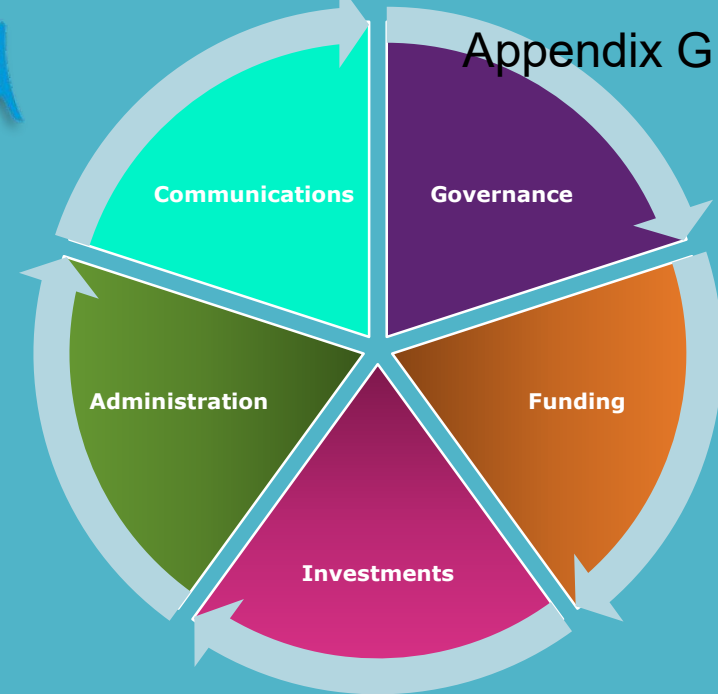
Measure	Description	Value	Units	Last updated	Current status	Previous status	Measure	Target	Amber Level	Polarity	Frequency
4.4.1.	% of annual returns (year-end) submitted on time by employers	93%	% Odp	31 Aug 2020			% achieved	90%	85%	High	Annual (Approx August)
4.4.2.	% of annual returns (year-end) which passed validation first time	94%	% Odp	31 Aug 2020			% achieved	90%	85%	High	Annual (Approx August)

Notes relating to results

4.4.1 & 4.4.2 - These are new measures of which previous performance information is unavailable.

A full update report on the year-end process will be presented to the Board at their next meeting.





# 2020/21 Risk Management Update

01 April 2020 – 31 August 2020

# Current Status

## Essex Pension Fund

Probability	Almost Certain (4)		1 (0)	1 (1)	
	Likely (3)		4 (5)	4 (5)	0 (1)
	Possible (2)		4 (3)	7 (5)	2 (3)
	Unlikely (1)		5 (5)	10 (10)	8 (8)
		Minor (1)	Moderate (2)	Major (3)	Critical (4)
		Impact			

Risk	Reported at 4 March PSB	During Lockdown	As at 31 August 2020
G9. Failure to undertake BAU	6 (Yellow)	12 (Red)	8 (Amber)
F1. Failure to set and collect contributions	6 (Yellow)	9 (Amber)	6 (Yellow)
F2. Mortality rates continue to improve	9 (Amber)	6 (Yellow)	6 (Yellow)
A1. Failure to administer scheme correctly	6 (Yellow)	9 (Amber)	9 (Amber)

# Assessments

## Covid-19

# Assessments

## Covid-19

Risk	Reported at 4 March PSB	During Lockdown	As at 31 August 2020
I1. Total Fund investment return does not meet expectations	9 (Amber)	9 (Amber)	9 (Amber)
I2. Investment Managers and/or ACCESS Operator under perform	6 (Yellow)	6 (Yellow)	6 (Yellow)
F8. Fund has insufficient cash to pay pensions	3 (Green)	3 (Green)	3 (Green)
F9. An employer ceased to exist with insufficient funding leading to unrecoverable debt	9 (Amber)	9 (Amber)	9 (Amber)
A3. Failure to maintain records leading to inaccurate data and inaccurate payments	6 (Yellow)	6 (Yellow)	6 (Yellow)
A4. Failure to collect pension contributions	2 (Green)	2 (Green)	2 (Green)
A8. Unable to deliver / maintain good working relationships with employers	2 (Green)	2 (Green)	2 (Green)



# Assessments

## BAU

Risk	Reported at 4 March PSB	As at 31 August 2020
G3. Lack of expertise, insufficient knowledge and maintenance of PSB/ISC/PAB	9 (Amber) Due to uncertainty around elections going forward and vacancies on the PSB	4 (Yellow) Risk has been partially mitigated due to the appointment of the Employer Representative on the PSB. Election timetable is unknown at this stage.
G14. Regulatory Risks impacting on Investments, Funding and Administration	12 (Red) Due to the uncertainties around the McCloud judgement	12 (Red) Remains: <ul style="list-style-type: none"> <li>- £95k Cap</li> <li>- McCloud</li> <li>- Goodwin</li> <li>- Unpausing of Cost Cap</li> </ul>
A3. Failure to pay people at right time in right amount	12 (Red) Due to the expiry of the BACS contract and not being able to pay our pensioners	6 (Yellow) Imminent risk has now been mitigated effectively however a lower risk still remains due to further BACs Cloud procurement



# 1. Exceptions - Governance

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
<p>G14. Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> <li>- Academisation of Schools, the possibility of Multi-academy Trust (MAT) breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk;</li> <li>- Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have;</li> <li>- Superannuation Contributions Adjusted for Past Experience (SCAPE) rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions;</li> <li>- Increased centralisation of the Local Government Pension Scheme (LGPS) and HM Treasury taking all the assets / structural change;</li> <li>- Guaranteed Minimum Pension (GMP) equalisation resulting in potentially additional costs and/or administration:</li> <li>- National Pensions Dashboard resulting in major changes to data provision;</li> </ul>	12	12	<ol style="list-style-type: none"> <li>1. Regular communications with schools to understand their intentions.</li> <li>2. Essex Pension Fund (EPF) and their Advisers are actively involved in the development of the LGPS.</li> <li>3. EPF monitor the current and new regulations and correspondence from Ministry of Housing, Communities and Local Government (MHCLG) and Local Government Association (LGA).</li> <li>4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds.</li> <li>5. EPF utilise the expertise of their Independent Administration and Governance Adviser (IGAA).</li> </ol>	4



# 1. Exceptions - Governance

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
G14 continued. - Separation of the Fund from the Administering Authority; - Government intervention in Fund asset allocation decisions.				
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	6	8	<ol style="list-style-type: none"> <li>1. EPF Business Continuity Plan (BCP) in place.</li> <li>2. EPF BCP regularly tested including call cascades and desk-top exercises.</li> <li>3. Testing is recorded and monitored.</li> <li>4. Essex County Council (ECC) also exercise their BCP which includes EPF.</li> </ol>	6
G16. Failure to comply with General Data Protection Regulation (GDPR) and keep data secure, leading to reputational issues or legal/financial penalties	8	8	<ol style="list-style-type: none"> <li>1. Essex Pension Fund (EPF) conduct a System back-up to protect against data loss.</li> <li>2. EPF ensure data encryption and password protection.</li> <li>3. Continuous staff training on data protection/GDPR.</li> <li>4. All information security breaches are reported and any systematic issues identified and corrected.</li> <li>5. EPF ensure use of file transfer protocol.</li> </ol>	8



## 2. Exceptions - Funding

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
<p>F6. Failure to:</p> <ul style="list-style-type: none"> <li>- recognise a weakening (strengthening) in an employer's covenant;</li> <li>- lack of, or inaccurate, information about an employer;</li> </ul> <p>leads to an inappropriate funding approach in respect of that employer</p>	9	9	<ol style="list-style-type: none"> <li>1. Essex Pension Fund (EPF) monitors and send reminders of employer's responsibilities.</li> <li>2. EPF carries out an analysis at each triennial actuarial valuation to assess covenant and affordability on a proportional basis.</li> <li>3. A risk analysis is conducted at each triennial valuation.</li> <li>4. Use of bonds and guarantees.</li> <li>5. Ongoing monitoring of contributions to identify significant change and continuous dialogue with employers.</li> </ol>	9
<p>F9. An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee leads to unrecoverable debt and residual liability falls on remaining employers.</p>	9	9	<ol style="list-style-type: none"> <li>1. New employers joining the Fund are required to meet the Funds expectations, covenant, security and guarantee as set out in the Funding Strategy.</li> <li>2. Existing employers are required to meet the Funding Strategy and Actuarial Valuation obligations.</li> <li>3. Monitoring of bonds and ongoing monitoring of Employer covenant.</li> </ol>	9



# 3. Exceptions - Investments

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
I1. The total Fund Investment return does not meet expectations which could lead to underfunding.	9	9	<div><div>1. Essex Pension Fund (EPF) Investment Strategy is reviewed and monitored on a regular basis.</div><div>2. Monitoring of: investment manager performance; market conditions. Performance of both assets and liabilities is monitored periodically.</div></div>	9



# 4. Exceptions - Administration

Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
<p>A1. Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none"><li>- lack of regulatory clarity;</li><li>- system issues;</li><li>- insufficient resources.</li></ul>	6	9	<ol style="list-style-type: none"><li>1. Essex Pension Fund (EPF) ensure the System complies with the latest regulatory requirements through:<ul style="list-style-type: none"><li>• Technical Hub help to translate regulations and ensure new systems meet regulatory requirements;</li><li>• Robust testing for system changes</li><li>• Linking to knowledge and information from software supplier and other Local Government Pension Scheme (LGPS) clients using the same administration software.</li></ul></li><li>2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources.</li><li>3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.</li></ol>	6

# 4. Exceptions - Administration



Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
A3. Failure to maintain proper records leading to inadequate data resulting in failure to pay the correct pensions to the right people at the right time.	12	6	<ol style="list-style-type: none"> <li>1. Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out.</li> <li>2. Essex Pension Fund (EPF) ensure the System is tested regularly to ensure compliance with regulations.</li> <li>3. Robust checking and validation of data takes place in calculations and receipt of information from employers.</li> <li>4. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications.</li> <li>5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.</li> </ol>	3

# 4. Exceptions - Administration



Risk Details	4 March Rating	Current Rating	Controls / Mitigations	Target Score
A3 Continued.			6. Liaise with Essex County Council (ECC) Supplier and Service team to ensure ECC BACS system is secure, reliable and up-to-date with required software on an ongoing basis. There is reliance on ECC BACS software solution to ensure payroll is completed at the right time.	
A6. Unable to meet statutory requirements due to poor employer data	8	8	<ol style="list-style-type: none"> <li>1. Administration Strategy is in place which confirms responsibilities, details points of contact with reference to the website for further information, timescales etc.</li> <li>2. Administration Strategy is reviewed on a regular basis in consultation with Employers where changes are made</li> <li>3. Essex Pension Fund (EPF) communicates to Employers regularly on all aspects of provision which includes training sessions and guidance notes.</li> <li>4. EPF conducts year-end data cleansing.</li> </ol>	8



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07</b>
<b>Date: 23 September 2020</b>	

## **Internal Audit Annual Report 2019/20**

Report by Paula Clowes - Head of Assurance

Enquiries to Sarah Harris – Strategic Audit Manager

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### **1. Purpose of the Report**

- 1.1 The Essex Pension Fund Board's Terms of Reference include the monitoring of administration of the Essex Pension Fund. It is therefore appropriate for the Board to receive reports from Internal Audit regarding the control environment of the Pension Fund and Administration.
- 1.2 This report provides a summary of Internal Audit's 2019/20 activity in relation to the pension fund and proposals for 2020/21.

### **2. Recommendations**

- 2.1 Pension Board Members are requested to note the outcomes of the 2019/20 internal audit reports.
- 2.2 Pension Board members are requested to note the outcomes of the 2019/20 National Fraud Initiative.
- 2.3 Pension Board members are requested to note the planned audits of the Pension Fund for 2020/21.

### 3. Background

- 3.1 ECC is the Administering Authority for the Pension Fund and as such the Pensions Administration and Pension Funding and Investments represent major systems in terms of financial control and reporting of the Council's activities.

### 4. 2019/20 Internal Audit Reviews

- 4.1 We undertook two reviews in accordance with the agreed Internal Audit and Counter Fraud Plan:
- Essex Pension Fund - Administration (Appendix A) – Good Assurance; and
  - Essex Pension Fund - Funding and Investments (Appendix B) – Good Assurance.
- 4.2 Both reviews received a '**Good Assurance**' opinion which means that at the time of our review there was a sound system of internal control. *It should be noted that this is the highest level of assurance.*
- 4.3 These opinions were unchanged from the 2017/18 and 2018/19 opinions which were also assessed as 'Good Assurance'. For the second consecutive year, no recommendations were identified.

### 5. National Fraud Initiative (NFI)

- 5.1 The NFI is the matching of electronically held data between public and private sector bodies to prevent and detect fraud and error. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.
- 5.2 Responsibility for NFI lies with the Cabinet Office. Data is now submitted on a monthly basis. The NFI data matching exercise of specifically pensions-related data recently identified overpayments of £14,452.37 of which at this stage £8,531.98 has been so far recovered. In addition, there are several cases still under review.

## **6. 2020/21 Internal Audit Coverage**

6.1 On 6 July 2020, the ECC Audit, Governance and Standards Committee approved the Internal Audit and Counter Fraud Plan for 2020/21. The Plan contains the following activity relating to Pensions:

- FT5 - Essex Pension Fund; and
- FS - National Fraud Initiative.

6.2 These audits are planned for Q4 2020/21.

6.3 The total charge to the Pensions Fund for this activity will be £22,500.

## **7. Link to Essex Pension Fund Objectives**

7.1 Audit work assists the Fund in achieving a number of its objectives, including:

- ensuring 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;
- understand and monitor risk and compliance; and
- provide a high-quality service whilst maintaining value for money.

## **8. Risk Implications**

8.1 Audit work is a means of both identifying and mitigating risk.

## **9. Communication Implications**

9.1 Other than ongoing reporting to the Board and ECC's Audit Governance and Standards Committee, there are no communications implications.

## **10. Finance and Resources Implications**

- 10.1 As highlighted at 6.3 the charge to the Fund in 2020/21 will be £22,500 (£22,500: 2019/20).

## **11. Background Papers**

- 11.1 Internal Audit and Counter Fraud Plan for 2020/21, Agenda item 8 AGS/71/20, 6 July 2020, ECC Audit, Governance and Standards Committee
- 11.2 Essex Pension Fund – Administration Final Internal Audit Report 2019/20 (Appendix A).
- 11.3 Essex Pension Fund – Funding and Investments Final Internal Audit Report 2019/20 (Appendix B).

# Essex Pension Fund – Administration 19/20

## Final Internal Audit Report

Audit Plan Ref: CC5

**Audit Opinion:**  
Good assurance

**Date Issued:** May 2020

**Function:** Finance and Technology

**Audit Sponsor:** Jody Evans, Interim Director, Essex Pension Fund

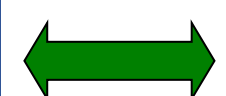
**Distribution List:** **Nicole Wood**, Executive Director for Finance and Technology; **Jody Evans**; **Sam Andrews**, Investment Manager; **Sara Maxey**, Employer Manager; **Amanda Crawford**, Compliance Manager; **Kelly Armstrong and Daniel Chessell**, Team Managers; **Chris Pickford**, Pensions Systems Manager; **Cllr. Barker**, Cabinet Member for Customer, Communities, Culture and Corporate and Chair of the Pension Strategy board; **Barry Pryke**, External Audit







# 1. Executive Summary

Assurance Opinion	No	Limited	Satisfactory	Good
				X

Number of Issues	Critical	Major	Moderate	Low

Audit Objective	Key Messages	Direction of Travel
<p>The audit's objective is to evaluate the arrangements in place to manage to reasonable levels, the potentially significant risk events related to administering the pension fund and making pension payroll payments.</p> <p><b>Scope of the Review and Limitations</b></p> <p>The audit's objective was to evaluate the arrangements in place to manage to reasonable levels, the potentially significant risk events and consequences relating to administering the pension fund and making pension payroll payments.</p> <p>The review's covered 2019/20 only.</p>	<p>The assurance opinion remains at "good" meaning there continues to be sound systems of internal control in place.</p>	<p>The assurance opinion is the same as last year</p> 

## 2. Explanation of Assurance and Risk Priority Levels

Assurance level		Assessment Rationale	
Good		There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be of Low risk rating. Any Moderate recommendations would need to be mitigated by significant strengths elsewhere.	
Satisfactory		Whilst there is basically a sound system of control, there are some areas of weakness, which may put the system/process objectives at risk.	
Limited		There are significant weaknesses in key areas of the system of control, which put the system/process objectives at risk. Improvement in the design and/or operational effectiveness of the control environment is necessary to gain assurance that risks are being managed to an acceptable level, and core objectives will be achieved.	
No		The system of internal control has serious weaknesses and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.	
Risk Priority Level		Definition	
Corporate	Critical	 Red	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, for example, reputational damage, significant financial loss (through fraud, error or poor value for money), intervention by external agencies and / or lack of compliance with statutory regulations. <b>Remedial action is required immediately</b>
Service	Major	 Amber	Audit findings indicate a serious weakness or breakdown in the control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. <b>Remedial action is required urgently</b>
	Moderate	 Yellow	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. <b>Prompt specific action should be taken</b>
	Low	 Green	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. <b>Remedial action is suggested</b>

### 3. Further Information

**Management Responsibility:** It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit (IA) work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. IA endeavour to plan work so they have a reasonable expectation of detecting significant control weaknesses and, if detected, IA&CF will carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

**Following the Final Report:** It is the owner's responsibility to ensure the agreed actions are implemented within agreed timescales and to update TeamCentral on a timely basis.

Internal Audit are regularly required to provide updates on the status of recommendations to the Audit Governance and Standards Committee, to the Corporate Governance Steering Board and to Functional Leadership Teams. We also receive ad-hoc requests for updates e.g. from the relevant Cabinet Member.

Internal Audit use the updates provided by Recommendation Owners on TeamCentral for this purpose, so it is essential that progress is recorded regularly and accurately and when a recommendation becomes overdue that a revised date to indicate when the recommendation will be implemented is provided.

#### **Audit Sponsor Responsibility:**

- Approve the draft terms of reference to confirm their understanding and agreement of the risks, scope and nature of the review.
- Inform appropriate staff associated with the process under review about the nature of the review and what is required of them. Facilitate timely access to staff, records and systems.
- Approve and/or complete the Action Plan in the Draft Report and return to the Internal Audit Team within 15 working days to enable the Final Report to be issued promptly.
- Have oversight to ensure all agreed Recommendations are implemented within the agreed timescales as recorded in the Action Plan in the Final Report.

Head of Assurance	Paula Clowes
Audit Manager	Greg Mortimer
Auditor	Murad Khan
Fieldwork Completed	April 2020
Discussion Draft Report Issued	18 May 2020
Management Comments Requested by	08 June 2020
Management Comments Received	21 May 2020
Final Report	26 May 2020



# Essex Pension Fund – Funding and Investment 19/20

## Final Internal Audit Report

Audit Plan Ref: CC5

**Audit Opinion:**  
Good assurance

**Date Issued:** May 2020

**Function:** Finance and Technology

**Audit Sponsor:** Jody Evans, Interim Director, Essex Pension Fund


**Distribution List:** **Nicole Wood**, Executive Director for Finance and Technology; **Jody Evans**; **Sam Andrews**, Investment Manager; **Sara Maxey**, Employer Manager; **Amanda Crawford**, Compliance Manager; **Kelly Armstrong and Daniel Chessell**, Team Managers; **Chris Pickford**, Pensions Systems Manager; **Cllr. Barker**, Cabinet Member for Customer, Communities, Culture and Corporate and Chair of the Pension Strategy board; **Barry Pryke**, External Audit







# 1. Executive Summary

Assurance Opinion	No	Limited	Satisfactory	Good
				X

Number of Issues	Critical	Major	Moderate	Low
	-	-	-	-

Audit Objective	Key Messages	Direction of Travel
<p>This audit reviewed whether there are adequately designed controls that are operating consistently that ensure prescribed processes are followed in relation to Essex Pension Fund's funding and investment to ensure effective decision making, security of funds' assets and minimisation of the risk of error or fraud.</p>	<p>The assurance opinion remains at "good" meaning there continues to be sound systems of internal control in place. No recommendations have been made in this report.</p> <p>There remain good processes for the Fund to receive expert independent investment advice. Evidence was available to support that Investments were made in approved classes by fund managers and the income from investments is monitored and received and recorded on a timely basis. All transactions sampled relating to the movement of funds were appropriately authorised.</p>	<p>The assurance opinion is the same as last year</p> 
<p><b>Scope of the Review and Limitations</b></p> <p>The audit's objective was to evaluate the arrangements in place to manage to reasonable levels, the potentially significant risk events and consequences related to funding, investments, and the fund's overarching governance and decision-making processes.</p> <p>This review did not assess any of the arrangements or activity of the ACCESS pool or the ACCESS Support Unit.</p> <p>The review's scope was EPF's investments and funding activity in the previous 12 months.</p>	<p>There remains good quarterly reporting of a balanced scorecard of the Fund's key performance indicators and risk register to the Strategy Board. Board and Committee members have continued to receive ongoing training.</p> <p>Satisfactory controls were confirmed to be operating for receipt and recording of monthly contributions from member bodies, admitting new members and bodies and issuing annual statements.</p>	

## 2. Explanation of Assurance and Risk Priority Levels

Assurance level		Assessment Rationale	
Good		There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be of Low risk rating. Any Moderate recommendations would need to be mitigated by significant strengths elsewhere.	
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**Following the Final Report:** It is the owner's responsibility to ensure the agreed actions are implemented within agreed timescales and to update TeamCentral on a timely basis.

Internal Audit are regularly required to provide updates on the status of recommendations to the Audit Governance and Standards Committee, to the Corporate Governance Steering Board and to Functional Leadership Teams. We also receive ad-hoc requests for updates e.g. from the relevant Cabinet Member.

Internal Audit use the updates provided by Recommendation Owners on TeamCentral for this purpose, so it is essential that progress is recorded regularly and accurately and when a recommendation becomes overdue that a revised date to indicate when the recommendation will be implemented is provided.

#### **Audit Sponsor Responsibility:**

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- Inform appropriate staff associated with the process under review about the nature of the review and what is required of them. Facilitate timely access to staff, records and systems.
- Approve and/or complete the Action Plan in the Draft Report and return to the Internal Audit Team within 15 working days to enable the Final Report to be issued promptly.
- Have oversight to ensure all agreed Recommendations are implemented within the agreed timescales as recorded in the Action Plan in the Final Report.

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Management Comments Received	21 May 2020
Final Report	26 May 2020

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 08</b>
<b>Date: 23 September 2020</b>	

## **External Audit 2019/20: Audit Plan and Results Update 2019/20**

Report by the Interim Director for Essex Pension Fund

Enquiries to Jody Evans 03330 138489

### **1. Purpose of the Report**

- 1.1 To present BDO LLP's Audit Plan in relation to the 2019/20 external audit of the Essex Pension Fund.
- 1.2 To provide an update on the 2019/2020 external audit results of the Essex Pension Fund.

### **2. Recommendation.**

- 2.1 That the Board should note the content of the report.

### **3. Background**

- 3.1 The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the National Audit Officer (NAO) Code of Audit Practice.
- 3.2 The Code of Practice requires BDO to report to those formally charged with governance on the work they have carried out to discharge their statutory audit responsibilities. To this end the Audit, Governance and Standards Committee (Audit Committee) has ultimate responsibility for the governance of Essex County Council.

### **4. External Audit Plan**

- 4.1 The Audit Plan explains how BDO LLP intend to carry out their responsibilities as auditor of the Essex Pension Fund and is provided at Appendix A of this report.
- 4.2 David Eagles on behalf of BDO LLP has submitted the attached Essex Pension Fund Audit Plan which describes the approach that has been adopted for the external audit of the 2019/20 Essex Pension Fund Accounts.
- 4.3 The plans summarise BDO LLP's initial assessment of the key risks driving the development of an effective audit for the Essex Pension Fund and outlines their planned audit strategy in response to those risks.
- 4.4 This Audit Plan was reported to an informal meeting of the Essex County Council's Audit Committee on 23 March 2020 for noting.

### **5. Publication Timetable**

- 5.1 In recognition of the significant pressure local authorities were under in responding to the Covid-19 pandemic, the Government resolved that the timetable for the 2019/20 financial year be extended by deferring the date by which the draft accounts for 2019/20 must be provided to 31 August (previously 31 May 2020) and the deadline for publication for final, audited accounts to 30 November (previously 31 July 2020).

- 5.2 Taking the above into consideration, Essex County Council's (ECC) revised its timetable of presenting its annual draft accounts for external audit by 30 June and publishing its final audited and approved accounts by 30 September.
- 5.3 The Fund is also required to publish a separate Annual Report and Accounts by 1 December.

## **6. Accounts Closure & BDO External Audit Completion report**

- 6.1 The Pension Fund successfully closed the accounts in accordance with the Fund's year-end closure timetable and ECC's revised timetable and were presented to the auditors by the 30 June deadline.
- 6.2 BDO commenced the external audit on 6 July 2020.
- 6.3 The Pension Fund audit has progressed well and BDO's intention was to issue their Audit Completion Report for the Pension Fund for the year ended 31 March 2020 to the Audit Committee on 28 September 2020.
- 6.4 BDO have, however, since confirmed that due to a loss of planned and booked resource in the early phase of the audit, resulting in the audit becoming a couple of weeks behind schedule, whilst they may be in a position to issue their Audit Completion Report for the Pension Fund for the Audit Committee on 28 September they will not be in a position to issue their opinion on the accounts until Essex County Council audit is complete. BDO have provisionally indicated November for completion of their audit and for issuing both ECC and the Pension Fund opinions. The Completion Report will be provided to Members' once the report becomes available.

## **7. Pension Fund Annual Report & Accounts 2019/20**

- 7.1 A final draft of the Pension Fund Annual Report & Accounts will be submitted to the Chairman of the Board for approval. A copy of the approved Annual Report will then be uploaded to the Essex Pension Fund website.

## **8. Link to Essex Pension Fund Objectives**

8.1 Audit work assists the Fund in achieving a number of its objectives, including:

- ensuring 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;
- understand and monitor risk and compliance; and
- provide a high-quality service whilst maintaining value for money.

## **9. Risk Implications**

9.1 Audit work is a means of both identifying and mitigating risk.

## **10. Communication Implications**

10.1 Other than ongoing reporting to the Board and ECC's Audit, Governance and Standards Committee, there are no communications implications.

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

11.1 As highlighted in the attached Audit Plan, the charge to the Fund in 2019/20 will be £39,500 (2018/19: £29,575), of which £11,500 (2018/19: £5,500) will be recharged back to those employers in respect of assurance required for IAS19 purposes.

## **12. Background Papers**

12.1 The Local Government Pension Scheme (Administration) Regulations 2008.

12.2 The National Audit Office's Code of Audit Practice.

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Report to the Audit, Governance and Standards Committee

# ESSEX PENSION FUND

Audit Planning Report: year ending 31 March 2020

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# WELCOME

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#### Welcome

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#### Audit scope and objectives

#### Audit risks

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We have pleasure in presenting our Audit Planning Report to the Audit, Governance and Standards Committee. This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2020 in respect of our audit of the financial statements; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the Audit, Governance and Standards Committee meeting on 23 March 2020 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

**David Eagles**, Partner  
for and on behalf of **BDO LLP**, Appointed Auditor  
6 March 2020



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Partner

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# SCOPE AND MATERIALITY

## Executive summary

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This summary provides an overview of the key audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the planned audit strategy for the Pension Fund for the year ending 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

### Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes auditing the financial statements and, where appropriate, exercising the auditor's wider reporting powers and duties.

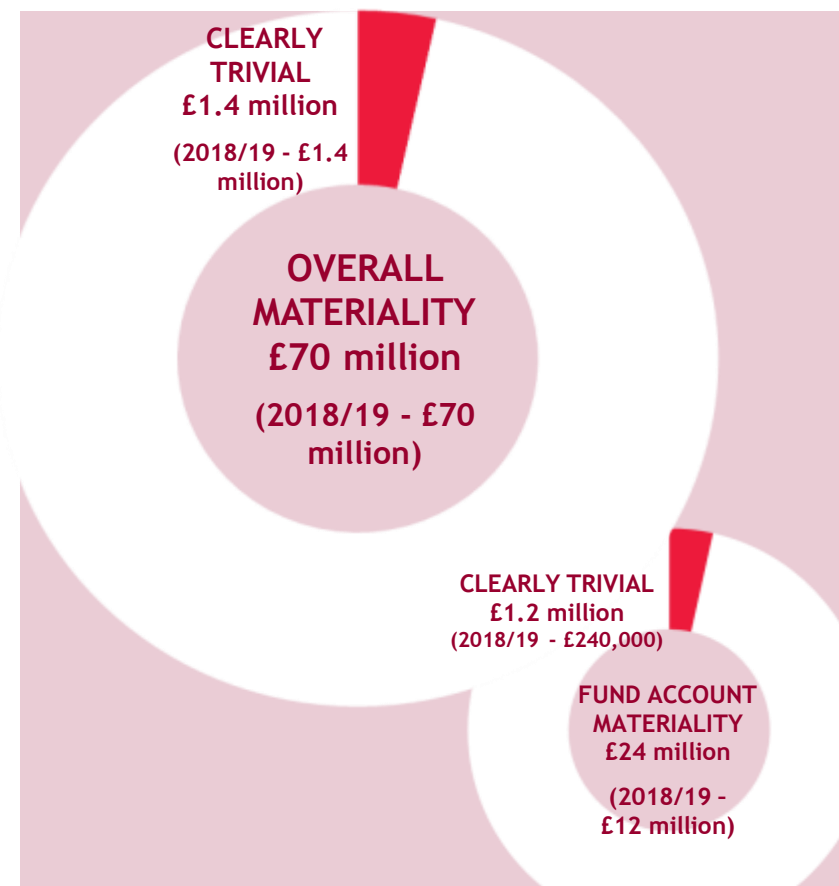
Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

### Materiality

Planning materiality for the Pension Fund financial statements will be set at 1% of net assets (prior year: 1%). Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the Fund Account at 7.5% of gross expenditure.

At this stage, these figures are based on the prior year net assets and expenditure. This will be revisited when the draft financial statements are received for audit.

Although materiality is the judgement of the engagement lead, the Audit, Governance and Standards Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



# AUDIT STRATEGY

## Executive summary

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Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher.

We have discussed the changes to the Pension Fund, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Pension Fund's activities and to determine which risks impact on the numbers and disclosures in the financial statements.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

# AUDIT RISKS OVERVIEW

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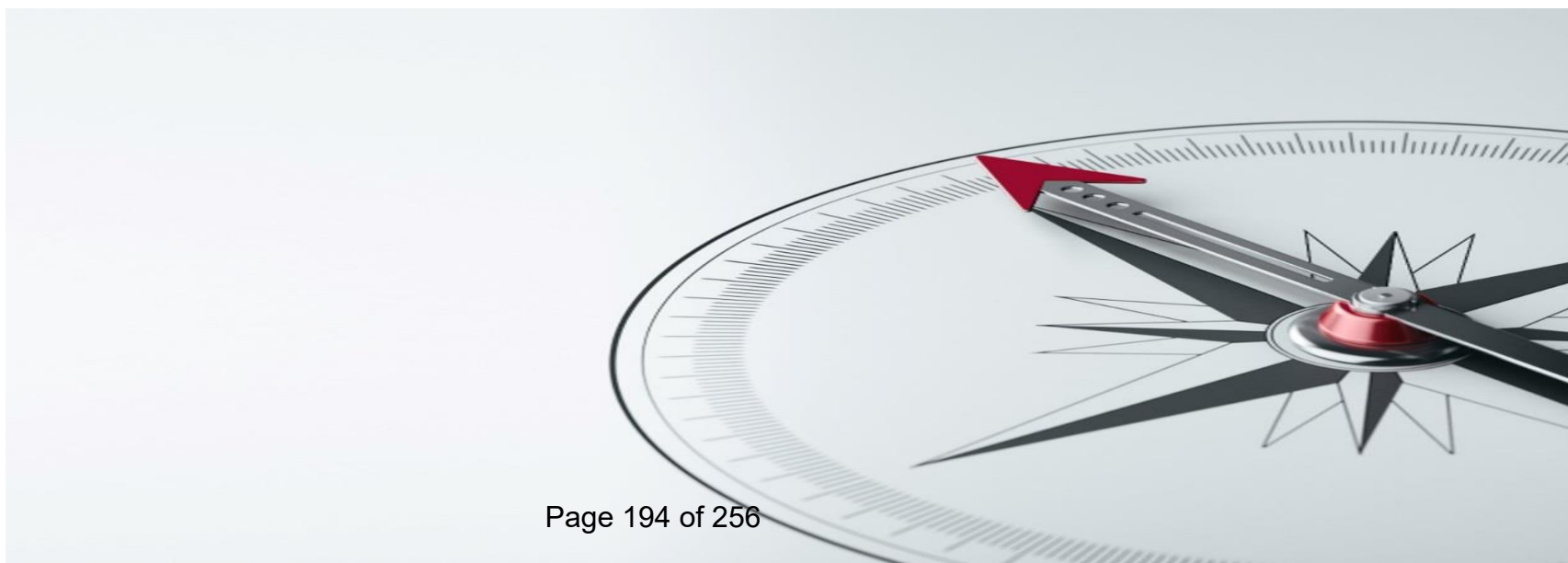
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Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Valuation of investments (unquoted and direct property investments)	Significant	No	Substantive	High
Pension liability valuation	Significant	No	Substantive	High
Valuation of investments (pooled investments)	Normal	No	Substantive	Medium
Contributions receivable	Normal	No	Substantive	Medium



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# INDEPENDENCE AND FEES

## Executive summary

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### Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

### Fees

	2019/20 £	2018/19 £
<b>Core audit fee</b>	(1) 28,000	24,075
Additional fee for IAS19 assurance requests from scheduled bodies	(2) 11,500	5,500
<b>Total fees</b>	<b>39,500</b>	<b>29,575</b>

- (1) The increased core audit fee reflects the increased expectations relating to the work necessary to audit valuations of pension investments (particularly unquoted and direct property investments) and the fund liability applied nationally.
- (2) The increased assurance requests fee of £6,000 represents the work necessary in 2019/20 to audit the data cleansing work undertaken by the actuary in connection with the triennial valuation of the pension fund liability (and asset allocations). This element is only relevant in the year of triennial valuation and is will not recur until the next triennial valuation (i.e. 2022/23).

### Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Executive Director, Finance and Technology. Where this requires a variation to the scale fee set by PSAA we will seek approval from Public Sector Audit Appointments Limited (PSAA). If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit, Governance and Standards Committee.

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# OVERVIEW

## Audit scope and objectives

Key components of our audit objectives and strategy for the Pension Fund are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

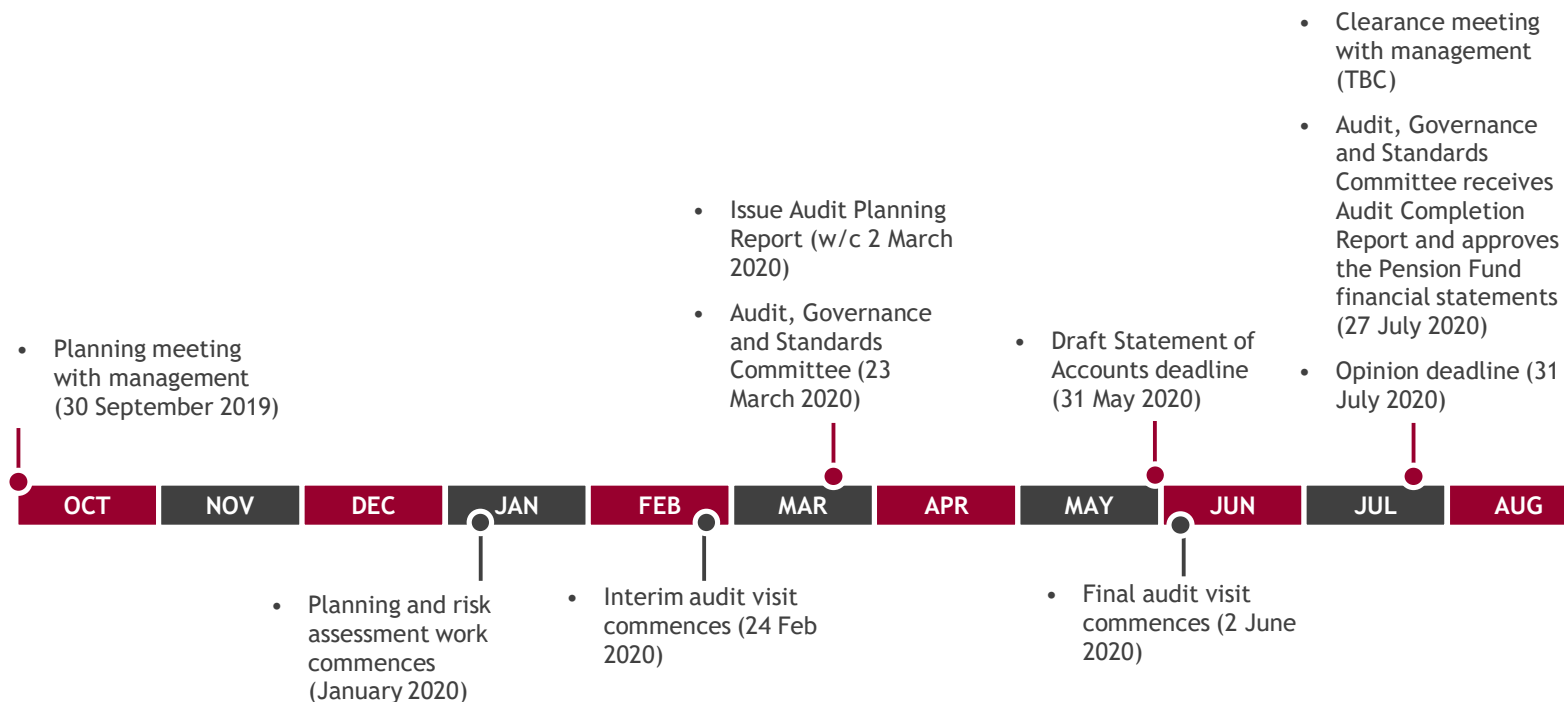
Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on Pension Fund financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information published together with the financial statements to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Annual Report	We will review the Pension Fund Annual Report and report on the consistency of the Pension Fund financial statements within the Annual Report with the Pension Fund financial statements in the Statement of Accounts.
Report to the Audit, Governance and Standards Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Audit, Governance and Standards Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.



# AUDIT TIMELINE

An overview of the key dates

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# BDO TEAM

## Team responsibilities

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**David Eagles**  
Partner

t: +44(0)1473 320728  
m: +44(0)7967 203431  
e: David.Eagles@bdo.co.uk

As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.



**Nuwan Indika**  
Manager

t: +44(0)1473 320807  
m: +44(0)7966 243886  
e: Nuwan.Indika@bdo.co.uk

I will lead on the audit of the Pension Fund financial statements. I work closely with David to develop and execute the audit strategy. I will be a key point of contact on a day to day basis and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Audit, Governance and Standards Committee are highlighted on a timely basis.



**Joe Smith**  
Senior

t: +44(0)1473 320883  
e: Joe.Smith@bdo.co.uk

I will be responsible for the day to day supervision of the audit team, and will be responsible for the delivery of the key audit work.

# OVERVIEW

## Audit risks

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Key: **Significant** / **Normal**

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Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Valuation of investments (unquoted and direct property investments)			There is a risk that unquoted and direct property investments are not appropriately valued in the financial statements due to significant level of assumption and estimation involved in the valuation of these assets.
3. Pension liability valuation			There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
4. Valuation of investments (pooled investments)			There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.
5. Contributions receivable			There is a risk that employers may not be calculating contributions correctly and paying over the full amount dues (on normal and deficit rates).

# MANAGEMENT OVERRIDE OF CONTROLS

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**Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.**

Significant risk

Normal risk

Fraud risk

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implementation of controls to  
mitigate

Significant Management  
estimates & judgements

Controls testing  
approach

Substantive testing approach

## Risk detail

- ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

## Planned audit approach

Our audit procedures will include the following:

- Review and verification of journal entries made in the year, agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.



# VALUATION OF INVESTMENTS (UNQUOTED AND DIRECT PROPERTY INVESTMENTS)

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**The valuation of unquoted and direct property investments is a significant risk as it involves a high degree of estimation uncertainty.**

Significant risk

Normal risk

Fraud risk

Assess design &  
implementation of controls to  
mitigate

Significant Management  
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Substantive testing approach

## Risk detail

- The investment portfolio includes unquoted private equity, debt, infrastructure and timberlands which are valued by the fund managers. The pension fund also makes direct investments in freehold and leasehold properties which are based on valuations received from the fund managers. The valuation of these assets may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to significance of these valuations, even a small change in assumptions and estimates could have a material impact on the financial statements.
- In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. Due to current market volatility the valuation received can quickly become outdated.
- As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.

## Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers and request copies of the audited financial statements (and member allocations) from the fund;
- Review the valuation completed by the fund manager and any significant assumptions made in the valuation;
- For property valuations, we will agree input data used by the valuer such as agreeing rental information to the underlying rental agreements, and will review the rental yields against the comparable data and indices for reasonableness;
- Where the financial statement date supporting the valuation is not coterminous with the pension fund's year end, confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Ensure investments have been correctly valued in accordance with the relevant accounting policies.

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**The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.**

Significant risk

Normal risk

Fraud risk

Assess design &  
implementation of controls to  
mitigate

Significant Management  
estimates & judgements

Controls testing  
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Substantive testing approach

## Risk detail

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability at 31 March 2020 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

## Planned audit approach

Our audit procedures will include the following:

- Reviewing the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- Test a sample of membership and cash flow data sent to the actuary for existence and accuracy, and reconcile the membership data sent to the actuary to the membership administration system for completeness;
- Reviewing the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions;
- Check whether any significant changes in membership data have been communicated to the actuary; and
- Agreeing the disclosure to the information provided by the actuary.

# VALUATION OF INVESTMENTS (POOLED INVESTMENTS)

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**There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.**

Significant risk

Normal risk

Fraud risk

Assess design &  
implementation of controls to  
mitigate

Significant Management  
estimates & judgements

Controls testing  
approach

Substantive testing approach

## Risk detail

- The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Custodian (Northern Trust). These valuations are reported on a monthly/quarterly basis although there may be amendments to the 'flash' valuations initially provided and subsequent final valuations that may be received after the draft accounts have been prepared.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

## Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers including any subsequent final valuations to 'flash' valuations in the draft accounts;
- Ensure that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

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**There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.**

Significant risk

Normal risk

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## Risk detail

- Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.
- Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.
- There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

## Planned audit approach

Our audit procedures will include the following:

- Test a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Review contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month; and
- Carry out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.



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## Fraud

Whilst management has ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have not been made aware of any actual, alleged or suspected incidences of fraud. We request confirmation from the Audit, Governance and Standards Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We plan to review the audit work of the Council's internal audit function as relevant to the Pension Fund and anticipate that we will be able to place reliance on their work in respect of their assessment of some control processes. If as a result of our review, we conclude that reliance is not possible, we will report this to you and also perform alternative procedures.

## Laws and regulations

We will consider compliance with laws and regulations, including the Local Government Pension Scheme Regulation 2013, VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities.

## Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

## Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historical judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

## Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

## Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for Management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit, Governance and Standards Committee.

## Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

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**Directors are required to make an assessment of the Pension Fund's ability to continue as a going concern.**

## Management's responsibilities

It is management's responsibility to make an assessment of the Pension Fund's ability to continue as a going concern to support the basis of preparation for the financial statements and disclosures in the financial statements. This is a requirement of the accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

## Audit responsibilities

Our responsibilities in respect of going concern are:

- (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and
- (b) To report in accordance with ISA (UK) 570.

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the Pension Fund's financial performance including forecasting and budgeting processes and management's risk assessment process. We will evaluate:

- a) Management's method, including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- b) Management's plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.
- c) The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

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IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting.



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# INDEPENDENCE

**Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.**

We have embedded the requirements of the auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement.

This document considers such matters in the context of our audit for the year ending 31 March 2020.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Pension Fund.

We also confirm that we have obtained confirmation that external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

**Non-audit services**

We do not carry out any non-audit services in respect of the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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### Financial reporting

The Pension Fund is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Pension Fund accounts for its stewardship and use of the public money at its disposal.

The form and content of the Pension Fund's financial statements should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and publishing Pension Fund financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.





# OUR RESPONSIBILITIES

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### Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

In addition, we review the Pension Fund Annual Report and report on the consistency of the Pension Fund financial statements within the Annual Report with the Pension Fund financial statements in the Statement of Accounts.

### What we don't report

Our audit is not designed to identify all matters that may be relevant to the Pension Fund and the Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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## Those charged with governance

References in this report to ‘those charged with governance’ are to the Pension Fund as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

## Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

## Audit Planning Report

The Audit Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

## Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

## Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the report.



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# TEAM MEMBER ROTATION

These tables indicates the latest rotation periods normally permitted under the independence rules of the FRC’s Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

## Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
David Eagles Engagement lead	2	5 years
Nuwan Indika Manager	2	10 years

## Independence - audit quality control

	Number of years involved	Rotation to take place after
Engagement quality control reviewer	2	7 years

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# MATERIALITY: DEFINITION AND APPLICATION

## Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern; and
- Instances when greater precision is required (e.g. related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the entity, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests;
- Calculate sample sizes; and
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

## Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

# MATERIALITY: DEFINITION AND APPLICATION

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

### Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Audit, Governance and Standards Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

# AUDIT QUALITY

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**BDO’s audit quality cornerstones underpin the firm’s definition of audit quality.**

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)



# AQR RESULTS 2018/19

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## Overview

The FRC released their Audit Quality Review (AQR) results for the 7 largest accountancy firms in July 2019 for the review period 2018/19. A copy of all of the reports can be found on the [FRC Website](#). We are very proud of our results in this review period where, for the second year running, 7 of the 8 files reviewed were assessed as either good or requiring only limited improvements.

## Firm's results

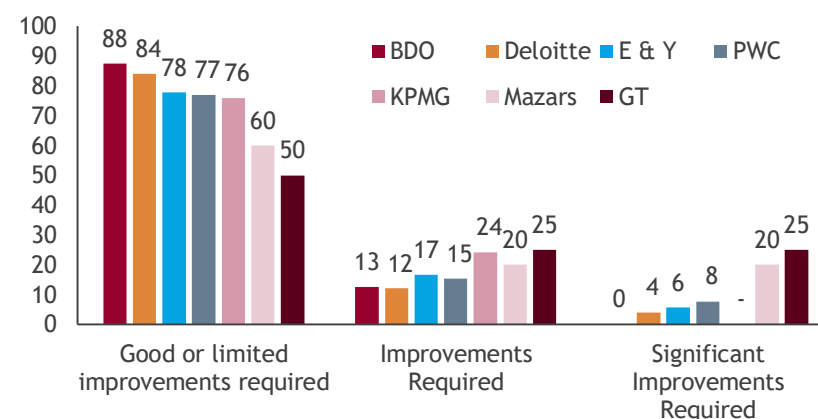
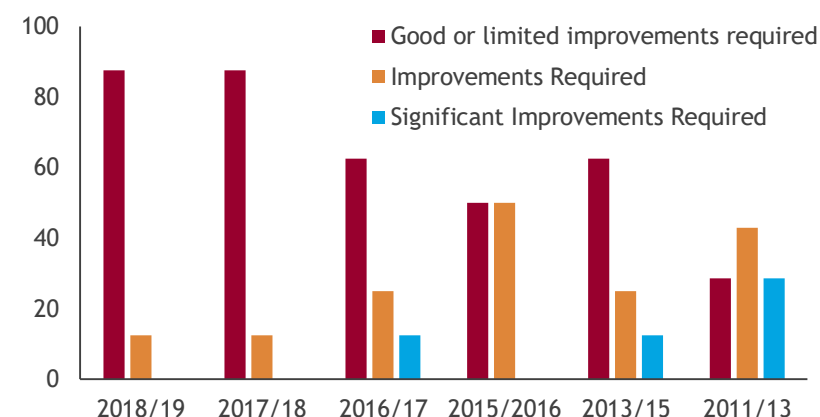
The graphs demonstrates our performance in relation to the other 6 largest firms and our continuous improvements and maintenance of that improvement over the last 6 review periods .

We include details of our model 'The Cycle of Continuous Improvement'. We acknowledge that the firm has performed well over the last few years however we are not complacent and need a strong process in place to maintain this high level of audit quality and deal rapidly and effectively with issues as they arise. This also highlights how our program of root cause analysis plays an important role in high audit quality.

We would encourage you to read our report which includes:

- Details of the root cause analysis we have been undertaking to address issues raised;
- The actions we have/are undertaking to address the issues raised by the AQR; and
- A number of areas of good practice the AQR review team identified whilst undertaking their review.

More details will be included in our Transparency Report which will be available on our [www.bdo.co.uk](http://www.bdo.co.uk).



# AQR RESULTS 2018/19

## BDO performance

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Considerations of how to address:

- Behavioural matters
- Operational changes required
- Cultural matters to be escalated

Responses may include:

- Updating operational practices
- Embedding matter into performance review and development process for staff
- Staff coaching
- Amending audit approach firm-wide or for specific assignments
- Targeted messaging to relevant audiences (e.g. grades, ranks or sector specialists)
- Updated guidance material

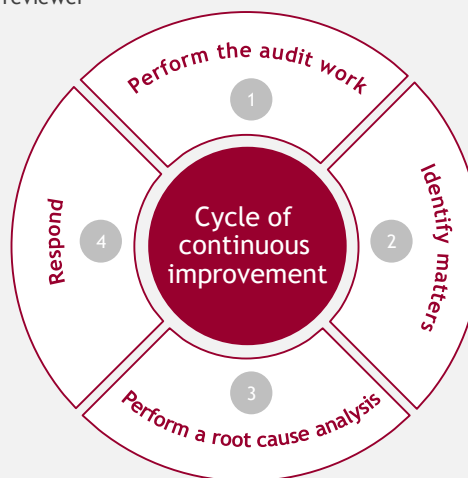
Responses inform training plans

Live files require:

- Review of audit quality by senior team members
- and may require:
- Hot review of financial statements
  - Technical support for audit work
  - Appointment of engagement quality control reviewer

Completed files may be subject to:

- Internal Audit Quality Assurance Review
- External review from AQR or QAD



Nature of matters may be:

- Client/assignment specific issues
- Common findings/repeating issues that have need to be tracked and/or escalated
- Firm-wide matters
- “Best practice” examples

May be at Individual assignment or ‘whole-firm’ level:

- Identification and assessment of root cause
- Productive process to learn from matters and improve quality
- “Best practice” examples treated in the same way as “issues”
- Consideration of appropriate responses to issues identified, proposed and escalated as appropriate

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FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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<b>Essex Pension Fund Strategy Board</b>	<b>PSB 09</b>
<b>Date: 23 September 2020</b>	

## **Annual Report to Essex County Council**

Report by the Interim Director for Essex Pension Fund  
 Enquiries to Jody Evans on 03330 138489

---

### **1. Purpose of the Report**

- 1.1 To present to the Essex Pension Fund Strategy Board (PSB) the Fund's 2019/20 annual report to Essex County Council.

### **2. Recommendation**

- 2.1 To note the attached report.



# **Essex Pension Fund**

# **Annual Report 2019/20**

**September 2020**

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## 1. Introduction

This is the eleventh Annual Report of the Essex Pension Fund Board(s), covering the period from 1 April 2019 until 31 March 2020.

## 2. Roles and Functions

### Essex Pension Fund Strategy Board

The Essex Pension Fund Strategy Board (PSB) was established by Essex County Council in May 2008 to ensure that the Pension Scheme complied with the best practice principles for governance as required by the amended Local Government Pension Scheme (LGPS) Regulations 1997.

The PSB's Terms of Reference was reviewed by Essex Pension Fund Officers during 2019 in consultation with the Independent Governance and Administration Adviser (IGAA). The revised Terms of Reference was subsequently approved by Essex County Council (ECC) at the October 2019 Full Council meeting and can be found within the [ECC Constitution](#).

The PSB met four times during the period covered by this report: on 3 July 2019, 11 September 2019, 18 December 2019 and 4 March 2020.

#### Membership

During the period covered by this report the PSB had 11 members. They represented ECC, the other local authorities in Essex (including Unitary Councils), Scheme Members and Other Employing Bodies (i.e. those which are not already specifically represented on the PSB).

The membership of the PSB as at 31 March 2020 was as follows:

#### Essex County Council (7)

Councillor Susan Barker	Chairman
Councillor Mark Platt	Vice Chairman
Councillor Alan Goggin	
Councillor Anthony Hedley	
Councillor Malcolm Maddocks	
Councillor Lee Scordis	
Councillor Clive Souter	

#### District/City/Borough Councils in Essex (1)

Councillor Colin Riley	Castle Point Borough Council
------------------------	------------------------------

#### Unitary Councils in Essex (1)

Councillor Matt Dent	Southend-on-Sea Borough Council
----------------------	---------------------------------

#### Scheme Members (nominated by UNISON) (1)

Mrs Sandra Child

#### Other Employing Bodies (1)

Mrs Jenny Moore	Billericay School
-----------------	-------------------

Attendance at PSB meetings during 2019/20 was 89%.

#### Investment Steering Committee

The Essex Pension Fund Investment Steering Committee (ISC) is a sub-Committee of the PSB and its Membership is drawn from the PSB made up of 7 ECC voting Members, 1 Employer representative (non-voting member) and 1 Scheme Member representative (non-voting member).

The ISC reviews the Essex Pension Fund's ("the Fund") management of investments including, but not limited to, the approval of the Investment Strategy Statement. The ISC's Terms of Reference, revised during 2019, can also be found within the [ECC Constitution](#).

Attendance at ISC meetings during 2019/20 was 86%.

#### **Essex Pension Fund Advisory Board**

The Essex Pension Fund Advisory Board (PAB) has been established as the Local Pension Board for Essex in accordance with section 5 of the Public Service Pension Act 2013 and Part 3 of the LGPS Regulations 2013.

The remit of the PAB includes assisting the Administering Authority as Scheme Manager:

- to secure compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator (tPR).

The PAB's Terms of Reference, revised during 2019, can be found within the [ECC Constitution](#).

#### Membership

During the period covered by this report the PAB had 9 Members. They represented Employer and Scheme Member Representatives and an Independent Chairman.

The membership of the PAB as at 31 March 2020 was as follows:

#### Independent Chairman (1)

Nicola Mark

Head of Norfolk Pension Fund

#### Scheme Member Representatives (4)

Andrew Coburn

Pensioner, Ex County Council, UNISON (Vice Chairman)

Vacant Position (until 24 September 2019)

-

Paul Hewitt (until 24 September 2019)

Deferred Member, Southend Borough Council/Harlow District Council

Debs Hurst

Active Member, Chelmsford College

James Sheehy (from 25 September 2019)

Active Member, Witham Town Council

Stuart Roberts (from 25 September 2019)

Active Member, Shenfield High Academy

### Employer Representatives (4)

James Durrant

Councillor Terry Cutmore

Councillor Shane Hebb

Councillor Simon Walsh

Essex Fire Authority

Rochford District Council

Thurrock Borough Council

Essex County Council

Attendance at PAB meetings during 2019/20 was 78%.

### **3. Dimensions of the Fund**

Based on the draft accounts, as at 31 March 2020 the value of the Fund's assets was £6.6bn. This is a noticeable decline resulting from stock market's reaction to the Covid-19 crisis.

The total value of pensions paid during 2019/20 was £212m, together with other benefits totalling £48m. The average payment made each year is c£5k.

The total number of beneficiaries are as follows:

	<b>2019</b>	<b>2020</b>
Contributors	52,524	57,498
Deferred Members	73,827	69,857
Pensioners	42,405	44,682
<b>Total</b>	<b>168,756</b>	<b>172,037</b>

(Deferred Members are former employees who have chosen not to transfer their pension rights.)

The PSB exercises on behalf of the Council the management of the Pension Fund whose membership comes from over 700 separate Employing Bodies, including:

- Essex County Council;
- Scheduled Bodies, which are local authorities and similar bodies who are automatically entitled to be members of the Fund; and
- Admitted Bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted Bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

### **4. Work of the PSB and the ISC**

The following key issues were considered by the PSB/ISC between 1 April 2019 and 31 March 2020:

#### Governance

During 2019, the Fund conducted a full review of the PSB, ISC and PAB Terms of Reference. This was an extensive piece of work drawing in advice from the Fund's IGAA and ECC's Monitoring Officer and concluded with a revised Governance Policy and Compliance Statement being approved at the PSB's 4 March meeting.

This piece of work set the foundation for the PAB Membership review which saw the extension of the Independent Chairman for a further two years, the appointment, following an extensive interview process of

two new Scheme Member Representatives and the re-appointment of the Essex Fire Authority Employer Representative.

In addition, a review of the PAB meeting arrangements was carried out. The review concluded that effective from 1 April 2020 PAB meetings would align with the PSB by following their morning meeting, thus increasing the number of meetings to four.

A review of the Fund's governance arrangements effectiveness is due to be undertaken by the Fund's IGAA at the end of 2020/21.

Fund Officers in conjunction with the PSB undertook an extensive review of the Fund's objectives and risks in 2018/19, resulting in the Fund completing a new style 2020/21 – 2022/23 three-year Business Plan. This sets out the Key Priorities and Strategic Business as Usual for the next three years across the five key areas of: Governance, Funding, Investments, Administration and Communications. This piece of work has set the direction for the Fund for the next three years and was approved by the PSB at their 4 March 2020 meeting. The Business Plan has also been published on the Fund's website ([essexpensionfund.co.uk](https://essexpensionfund.co.uk)).

In addition, the Fund, assisted by the PAB, have reviewed compliance against the recommendations made in the Scheme Advisory Board's (SAB) Good Governance Project and have reported the assessment to the PSB during the course of the year. The PSB noted the Fund was in a good position going forward.

### Funding

This year saw the outcome of the Actuarial Triennial Valuation that was undertaken as at 31 March 2019. It was noted that the funding level had improved to 97% (89% funding level at 31 March 2016). This was consistent with the interim reviews that were conducted in 2017 and 2018 where the funding levels increased from 89% to 93% and 94% respectively. The PSB, whilst welcoming this outcome was mindful that the Fund over recent times had experienced investment performance above the actuarial assumption and of its Funding objectives, in particular setting stable contributions. As such it was agreed that a 5% asset shock be included within the actuarial calculations, thus allowing a buffer should the Fund experience future adverse market conditions.

In addition, the Fund's Funding Strategy Statement which took on board several new aspects was issued out for consultation to Members of the PSB and the participating Employers which concluded on 2 March 2020. At their March 2020 meeting, the PSB approved the Funding Strategy Statement which was subsequently published alongside the Actuarial Valuation report by the statutory deadline of 31 March 2020.

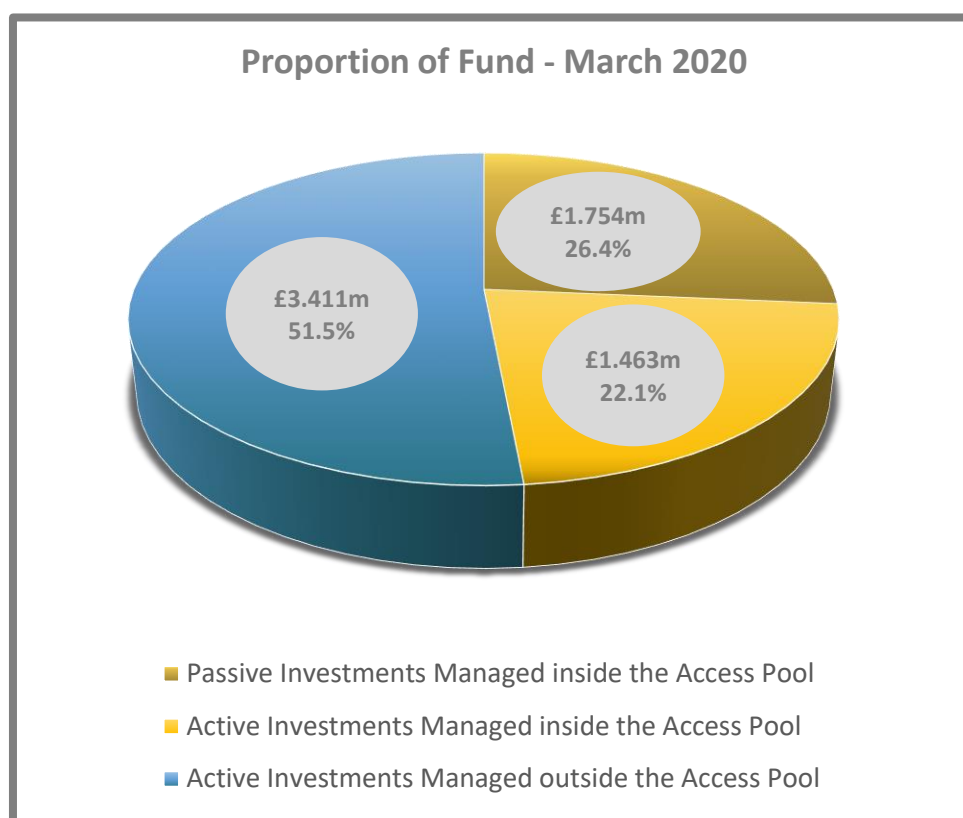
The Fund has also been preparing for the impact of the Government changes to regulations resulting from the McCloud judgement, the unpausing of Cost Cap, the £95k Cap and Goodwin. These will impact on the Fund's Employer, Administration and Communications teams over the coming years.

### Asset Pooling

Alongside the ten other Funds within the ACCESS Pool, Essex continues to progress the pooling of its investment management arrangements.

2019/20 saw the implementation of the ACCESS Support Unit (ASU), hosted by ECC, and funded by the eleven ACCESS Funds to oversee the pooling of investments and the management of the ACCESS Pool Operator, Link Fund Solutions (Link). As at 31 March 2020, Link had launched 15 ACCESS sub funds.

By the end of 2019/20 the Fund had around half of the asset portfolio under ACCESS pooled governance. Fee savings realised in 2019/20 was in the region of £2m. The chart below summarises Essex's pooling progress as at 31 March 2020.



#### Investment Strategy and Responsible Investment

The ISC continued to make significant progress in its migration away from equities to alternative assets. In order to reach its target strategic allocation of 45% the ISC agreed and implemented a new 4% allocation to Partners Group to manage a global property mandate along with additional allocations to the Fund's infrastructure and timber managers: IFM Investors; JP Morgan; and Stafford Timberland.

The ISC focus for the year was around the review of the Investment Strategy Statement, in particular the consideration of Economic, Social and Governance (ESG) factors in order to develop a Responsible Investment (RI) Policy.

The ISC convened a workshop in October 2019 specifically on ESG to enable a more in-depth discussion around ESG factors. At its November 2019 meeting an update was provided on the outcome of the RI Workshop, which led the Committee to articulate and agree a set of RI beliefs. Members, in line with their belief to work collaboratively with other pension funds, also agreed to join the Local Authority Pension Fund Forum (LAPFF).

The RI beliefs now form an RI Policy which was agreed at the February 2020 ISC meeting, enabling it to be shared with the Fund's Investment Managers for their feedback and comment.

The full Investment Strategy Statement with the inclusion of the RI Policy will be subject to a full stakeholder consultation in the Summer and subsequently published during 2020/21.



Other areas considered were:



## 6. Member Training

There is a firm commitment to training and development, with a view to ensuring that Members are able to fulfil their roles effectively.

Details of Members' attendance at the Fund's Board(s) meetings and training events (internal and external) are monitored throughout the year.

Member training is predominately delivered within the Board(s) meetings, or in 1 to1 face to face meetings. Within the 3 Year Business Plan it is highlighted that training for Board(s) will be reviewed during 2020/21 and individual training needs analysis will form part of the new arrangements.

## 7. Awards

During the year, the Fund was shortlisted for three LAPF Investments Awards and was successful in winning the Scheme Governance Award.

The Fund was also shortlisted for three Pension Age Awards, winning the Best Risk Management Exercise Award.



Cllr Susan Barker  
Chairman of the PSB and of the ISC  
Vice Chairman of ACCESS Joint Committee  
Essex County Council

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 10</b>
<b>Date: 23 September 2020</b>	

## **Pension Advisory Board (PAB) Annual and Quarterly Report**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

---

### **1. Purpose of the Report**

1.1 To provide the Board with:

- an overview of PAB activity during 2019/20; and
- an update on PAB activity since the last Board meeting.

### **2. Recommendations**

2.1 That the Board should note:

- the content of the 2019/20 Annual Report and acknowledge it will be published within the Annual Report & Accounts; and
- the appointment of Councillor Martin Bracken as the new Employer Representative on the PAB replacing the vacancy left by the passing of Councillor Terry Cutmore.

### **3. Background**

- 3.1 The Essex Pension Fund Advisory Board (PAB) was established as the Local Pension Board for Essex in accordance with section 5 of the Public Service Pension Act 2013 and Part 3 of the Local Government Pension Scheme (LGPS) Regulations 2013.
- 3.2 Since the PSB's last meeting, no meetings of the PAB have been held. The PAB meeting that was due to take place on 17 June 2020 was cancelled due to the circumstances that arose in regard to the Covid-19 pandemic outbreak.

### **4. Essex Pension Fund Advisory Board Annual Report**

- 4.1 Appendix A to this report includes the 2019/20 Essex Pension Fund Advisory Board (PAB) Annual Report that was approved by Nicola Mark, Independent Chairman and Andrew Coburn, Vice Chairman, in July 2020.

### **5. PAB Change of Membership**

- 5.1 During April 2020, Officers were made aware that the Employer Representative, Councillor Terry Cutmore, had sadly passed away.
- 5.2 Councillor Cutmore had been the Essex County Council Member for Rochford North division and held a number of positions on the Council since 2013 including being the Employer Representative of District, City and Borough Councils on the PAB since June 2017. His contribution to the work of the PAB and Essex Pension Fund was greatly appreciated and he will be sorely missed.
- 5.3 At the Essex Leaders and Chief Executives meeting held on 4 June 2020, the vacancy on the PAB was discussed and it was agreed that Councillor Martin Bracken of Chelmsford City Council be appointed to act as representative of District, City and Borough Councils.

## **6. Recommendations**

- 6.1 That the Board note the content of the 2019/20 Annual Report and acknowledge it will be published within the Annual Report & Accounts.
- 6.2 That the Board note the appointment of Councillor Martin Bracken as the new Employer Representative on the PAB replacing the vacancy left by the passing of Councillor Terry Cutmore.

## **7. Link to Essex Pension Fund Objectives**

- 7.1 Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

## **8. Risk Implications**

- 8.1 Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss.

## **9. Background Papers**

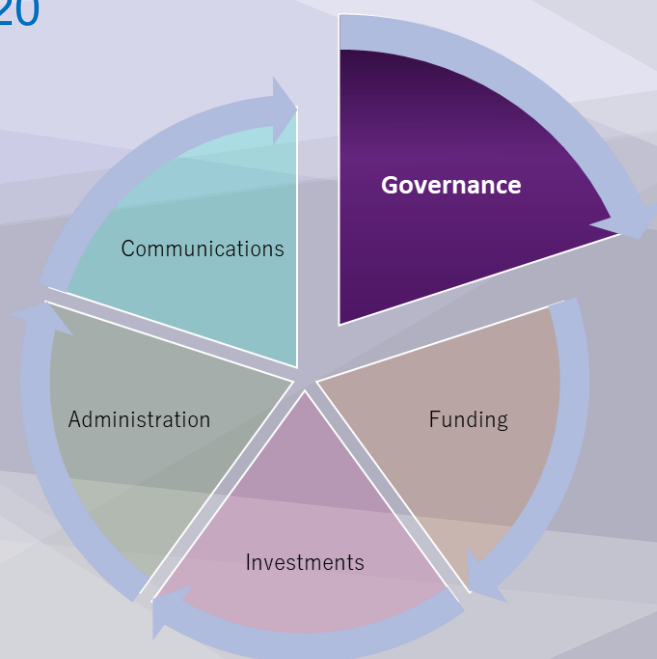
- 9.1 None.



# Essex Pension Fund

## Essex Pension Fund Advisory Board Annual Report

July 2020



# Essex Pension Fund Advisory Board

## Annual Report 2019/20

### Introduction

This is the fifth Annual Report of the Essex Pension Fund Advisory Board, covering the period from 1 April 2019 until 31 March 2020.

### Roles and Functions

The Essex Pension Fund Advisory Board (PAB) has been established as the Local Pension Board for Essex in accordance with section 5 of the Public Service Pension Act 2013 and Part 3 of the Local Government Pension Scheme (LGPS) Regulations 2013.



The remit of the PAB includes assisting the Administering Authority as Scheme Manager:

- to secure compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator (tPR).

The establishment of the PAB was approved by ECC in February 2015 with the following membership:

- 4 Employer representatives made up of ECC (1), Borough/City/District (1), Unitary (1), Other Employers (1);
- 4 Scheme Member representatives of which 1 has been nominated by the trade unions and the rest drawn from the total scheme membership;
- 1 Independent non-voting Chairman.

A web link to the papers detailing the establishment of the PAB can be found within the 4 March 2015 Essex Pension Fund Strategy Board (PSB) Meeting [Documents](#).

The PAB's full Terms of Reference was reviewed by Essex Pension Fund Officers during 2019 in consultation with the Independent Governance and Administration Adviser (IGAA). The revised Terms of Reference was subsequently approved by Essex County Council (ECC) at the October 2019 Full Council meeting and can be found within the [ECC Constitution](#).

The PAB met three times during the period covered by this report: on 5 June 2019; 25 September 2019 and 15 January 2020.

In addition to these meetings, PAB Members were invited to attend as Observers at:

- four meetings of the PSB (the Fund's s101 Committee) which took place on 3 July 2019, 11 September 2019, 18 December 2019 and 4 March 2020;
- four meetings of the ISC (the Fund's s101 sub-committee) which took place on 26 June 2019, 17 July 2019, 27 November 2019 and 19 February 2020.

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# Essex Pension Fund Advisory Board

## Annual Report 2019/20

### Membership

During the period covered by this report the PAB had 9 Members. They represented Employer and Scheme Member Representatives and an Independent Chairman.

The membership of the PAB as at 31 March 2020 was as follows:

Independent Chairman (1)	
Nicola Mark	Head of Norfolk Pension Fund
Scheme Member Representatives (4)	
Andrew Coburn	Pensioner, Ex County Council, UNISON (Vice Chairman )
Vacant Position (until 24 September 2019)	-
Paul Hewitt (until 24 September 2019)	Deferred Member, Southend Borough/Harlow District Council
Debs Hurst	Active Member, Chelmsford College
James Sheehy (from 25 September 2019)	Active Member, Witham Town Council
Stuart Roberts (from 25 September 2019)	Active Member, Shenfield High Academy
Employer Representatives (4)	
James Durrant	Essex Fire Authority
Councillor Terry Cutmore	Rochford District Council
Councillor Shane Hebb	Thurrock Borough Council
Councillor Simon Walsh	Essex County Council

Attendance at PAB meetings during 2019/20 was 78%.

### Conflicts of Interest

The Public Service Pensions Act 2013 requires that a member of a pension board does not have a conflict of interest. A conflict is defined as “a financial or other interest which is likely to prejudice a person’s exercise of functions as a member of the pension board”. The Act is clear that actual membership of the LGPS is not in and of itself a conflict of interest, so would not preclude a Scheme Member from serving on the PAB.

# Essex Pension Fund Advisory Board

## Annual Report 2019/20

The Essex Pension Fund (“the Fund”) follows the ECC Code of Conduct Policy for the management of potential conflicts in order to ensure that they do not become actual conflicts and all Members of the PAB are familiar with this Policy. In addition, Fund Officers have recently developed an Essex Pension Fund Conflict of Interest Policy which was approved by the PSB at their 4 March 2020 meeting. This Policy will be used to manage all future potential conflicts effective from 1 April 2020.

In addition, declarations of interest are a standing item on all PAB agendas and any interests noted by Members are recorded so that action can be taken to exclude the conflicted individual from proceedings where necessary.

### PAB Member Training

The Public Service Pensions Act 2013<sup>1</sup> requires that members of Local Pension Boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a Local Pension Board must be conversant with:

- the regulations of the LGPS, including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme.

Local Pension Board Members must also have knowledge and understanding of:

- the law relating to pensions; and
- such other matters as may be prescribed in other legislation.

The degree of knowledge and understanding required by Local Pension Board Members is appropriate for the purposes of enabling the individual to properly exercise the functions of a Member of the Local Pension Board.

### Degree of Knowledge and Understanding

Members of the Local Pension Board are expected to be conversant with the rules of the LGPS and the policies of the Fund. “Being conversant with” implies a working knowledge of what is relevant to the subject under discussion. A PAB Member should have an understanding of what is relevant to their role and be able to identify and challenge a failure to comply with:

- the LGPS Regulations;
- other legislation relating to the governance and administration of the scheme;
- requirements imposed by tPR; and
- any failure to meet the standards and expectations set out in any relevant [code of practice](#) issued by tPR.

---

<sup>1</sup> The Public Service Pensions Act 2013 made amendments to the Pensions Act 2004 (see s248A)

# Essex Pension Fund Advisory Board

## Annual Report 2019/20

### Areas of Knowledge and Understanding

The areas in which the PAB would be expected to be conversant include, but are not limited to:

- Scheme approved policies (e.g. managing conflicts of interest, reporting breaches of the law or record keeping);
- Risk assessment and management;
- Scheme booklets and other members communications;
- The role of Local Pension Board Members and the Scheme Manager;
- Policies in relation to the exercise of discretions;
- Communications with scheme members and employers;
- Key policy documents on administration, funding and investment.

### Training Strategy

The Members adhere to the Fund's Strategy on how Members of the PSB, the ISC and the PAB will achieve full compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework and tPR's Code of Practice and acquires the knowledge and skills necessary to carry out their functions. Members of the PAB fully endorsed the Strategy and re-iterated their commitment to knowledge and skills.

The approach of the Training Strategy is summarised below:

- Credits are awarded for attendance at formally arranged training sessions and other relevant events which increase knowledge of the LGPS;
- PAB Members are expected to complete tPR's on-line toolkit designed to provide a sound understanding of the roles and responsibilities of public service pension board members;
- Assessments of Member's knowledge and skills are used to determine areas for further training. Fund Officers maintain a record of the credits obtained by each individual Member;
- The approach to training is flexible, in order to recognise the ever-changing landscape of the LGPS;
- Training is delivered in a way that complements the activities set out in the Fund's Business Plan.

However, it should be noted that Fund Officers are reviewing the Training Strategy for PSB, ISC and PAB Members and it is envisaged that the new Training Strategy will be implemented during 2020/21.

This year the PAB has covered the following topics, of which appropriate training was provided within formal PAB meetings:

# Essex Pension Fund Advisory Board

## Annual Report 2019/20

Date of meeting	Topics Covered
<b>05 June 2019</b>	PAB Terms of Reference Review
	Review of Revised Risk Register
	Latest Development LGPS
	LGPS Pooling
<b>25 September 2019</b>	PSB Meetings 03 July and 11 September 2019: <ul style="list-style-type: none"> <li>• Officer Changes within Essex Pension Fund</li> <li>• PAB Membership Review</li> <li>• Risk Register</li> <li>• Actuarial Triennial Valuation</li> <li>• Charging Policy</li> <li>• Business Continuity</li> </ul>
	Good Governance Phase I Survey
	LGPS Pooling
	PSB Meeting 18 December 2019: <ul style="list-style-type: none"> <li>• Good Governance Report Phase II</li> <li>• Actuarial Triennial Valuation Update</li> <li>• Update on Pension Fund Activity</li> </ul>
	PAB Review
<b>15 January 2020</b>	TPR Code of Practice 14
	Business Continuity
	Pooling

In addition, the opportunity has been made available for Members of the PAB to attend training sessions outside of PAB meetings, including training sessions which have taken place within PSB or ISC meetings. A number of PAB Members also attended externally run events: the LGPS Annual Governance Conference; and the LGPS Local Pension Board Seminar.

Details of observing at PSB and ISC meetings and training events (internal and external) are recorded throughout the year.

### Outcomes and recommendations

Decisions about the running of the Fund are made by the PSB and ISC which are delegated to carry out that function by ECC in its capacity as the Administering Authority for the Fund.

The role of the PAB is to assist the Administering Authority to ensure compliance and to make recommendations to improve the efficient and effective administration and governance of the pensions function.

# Essex Pension Fund Advisory Board

## Annual Report 2019/20

This year the PAB has fulfilled its role in the following ways:

Date	Area	Action
<b>All meetings</b>	Decisions of the PSB and the ISC	The PAB's meetings are based on the items considered at meetings of the PSB and the ISC.
<b>05 June 2019</b>	Notes of the Previous Meeting	<b>Resolved:</b> The Board noted the additional information.
	PAB Terms of Reference	<b>Resolved:</b> The Board noted the Terms of Reference as agreed at Full Council.
	Appoint Vice Chairman	<b>Resolved:</b> The Board noted the appointment of the Interim Vice Chairman.
	PAB Annual Report	<b>Action:</b> A sentence to be added referring to training and the appointment of the new Independent Governance & Administration Adviser (IGAA).  <b>Resolved:</b> The Board noted the report.
	PSB Meeting 06 March 2019	<b>Resolved:</b> The Board noted the update.
	Papers provided to PAB	<b>Resolved:</b> The Board noted the distribution of papers provided to the PAB since their last meeting.
	Update on PAB Membership Review	<b>Resolved:</b> The Board noted the update.
	PAB Terms of Reference Review	<b>Resolved:</b> The Board discussed, noted and considered the content of the report.
	Review of Revised Risk Register	<b>Action:</b> <ul style="list-style-type: none"> <li>Fund Officers to look into the presentation and inclusion of the key for future meetings.</li> <li>IGAA to review the risks that refer to the training process for PAB members.</li> </ul> <b>Resolved:</b> The Board noted the update and report.

# Essex Pension Fund Advisory Board

## Annual Report 2019/20

Date	Area	Action
05 June 2019	Latest Development LGPS	<b>Action:</b> <ul style="list-style-type: none"> <li>PAB to agree response to Scheme Advisory Board (SAB) Local Pension Board Survey once it is issued.</li> <li>The approach was discussed as the deadline will be before the next meeting of the PAB.</li> </ul> <b>Resolved:</b> The Board noted the update and action point.
	Pooling Update	<b>Resolved:</b> The Board noted the progress to date.
25 September 2019	Appointment of Vice Chairman	<b>Resolved:</b> After a show of hands Andrew Coburn was subsequently elected for the role of the Vice-Chairman.
	Notes of the Previous Meeting	<b>Resolved:</b> The Board noted the updates.
	PSB Meetings 03 July and 11 September 2019	<b>Action:</b> The Fund to provide a further breakdown of the trend analysis from publication of the Charging Policy at a future meeting.  <b>Action:</b> The Fund to provide an update on Business Continuity at the next meeting.  <b>Resolved:</b> The Board noted the report, presentations and updates.
	Good Governance Survey	<b>Resolved:</b> The Board noted the report and update.

# Essex Pension Fund Advisory Board

## Annual Report 2019/20

Date	Area	Action
25 September 2019	SAB Pension Board Survey	<p><b>Action:</b></p> <p>Compliance Manager to start compiling responses on publication of the survey and to obtain further comments / amendments from the Board, providing a joint response.</p> <p><b>Resolved:</b></p> <p>The Board noted the report and update.</p>
	Papers provided to PAB	<p><b>Action:</b></p> <p>Compliance Manager to expand this paper to include the main subject(s) discussed at the PSB/ISC meetings.</p> <p><b>Resolved:</b></p> <p>The Board noted the report</p>
	Schedule of Future Meetings	<p><b>Action:</b></p> <p>Compliance Manager to provide the Board with details on the Annual Governance Conference.</p> <p><b>Resolved:</b></p> <p>The Board noted the update.</p>
	Pooling Update	<p><b>Resolved:</b></p> <p>The Board noted the progress to date.</p>
	Closing Remarks	<p><b>Action:</b></p> <p>The Chairman notified the Board that they would have sight of the Fund's new Business Plan at their next meeting.</p>
15 January 2020	Notes of the Previous Meeting	<p><b>Resolved:</b></p> <p>The Board noted the updates provided.</p> <p><b>Action:</b></p> <p>The Interim Director for Essex Pension Fund to establish with Cllr Hebb trend breakdown approach during 2020/21.</p>
	PSB Meeting 18 December 2019	<p><b>Resolved:</b></p> <p>The Board noted the report, presentations and updates.</p>
	PAB Review	<p><b>Resolved:</b></p> <p>The Board noted the report and update.</p>

# Essex Pension Fund Advisory Board

## Annual Report 2019/20

Date	Area	Action
15 January 2020	The Pension Regulator (tPR) – Code of Practice 14	<p><b>Resolved:</b></p> <p>The Board noted the report.</p> <p><b>Action:</b></p> <p>An update on the progress of the Singular Modular Code to be brought to a future meeting.</p>
	Business Continuity	<p><b>Resolved:</b></p> <p>The Board noted the report and update.</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Fund Officers to resolve all outstanding issues within the Business Continuity Plan (BCP);</li> <li>• IGAA to conduct a quality assurance check on the Fund's BCP and Testing Schedule; and</li> <li>• Full BCP and Testing Schedule to be presented to the Board at a future meeting.</li> </ul>
	Scheme Advisory Board (SAB) Pension Board Survey	<p><b>Resolved:</b></p> <p>The Board noted the update.</p> <p><b>Action:</b></p> <p>Compliance Manager to start compiling responses on publication of the survey and to obtain further comment / amendments from the Board to provide a joint response.</p>
	Papers provided to PAB	<p><b>Action:</b></p> <p>Compliance Manager to provide the Board with SAB communications when they become available.</p> <p><b>Resolved:</b></p> <p>The Board noted the update.</p>
	Pooling Update	<p><b>Resolved:</b></p> <p>The Board noted the progress to date.</p>



# Essex Pension Fund Advisory Board

## Annual Report 2019/20

Full agendas and minutes for all PAB meetings can be found on the ECC website under the Committees section of Your Council, or by following the link below:

[Essex Pension Fund Advisory Board](#)

### Review of the PAB

A review of the PAB was undertaken during 2019/20 which included:

- Terms of Reference;
- Membership; and
- Number and timings of meetings.

The PAB's revised Terms of Reference was agreed by ECC at their Full Council meeting on 08 October 2019.

The Membership review of the PAB saw the extension of the independent Chairman for two years, two new Scheme Member representatives and the re-appointment of the Essex Fire Authority Employer representative.

In addition, a review of the number and timings of the PAB meetings was carried out which resulted in the PAB meetings aligning with the PSB and therefore being conducted on the same day as PSB meetings and holding four meetings each year.

A review of the PAB's effectiveness is due to be undertaken by the Fund's IGAA at the end of 2020/21.

### Future Dates of Meetings

The PAB agreed to the following meeting dates for 2020/21 which will be kept under review:

- 17 June 2020 (this meeting was subsequently cancelled due to the Covid19 Pandemic);
- 23 September 2020;
- 16 December 2020; and
- 17 March 2021.

*Nicola Mark, Independent Chairman*

*Andrew Coburn, Vice Chairman*

**Essex Pension Fund Advisory Board**  
**July 2020**



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 11</b>
<b>Date: 23 September 2020</b>	

## **Investment Steering Committee (ISC) Quarterly Report**

Report by the Investment Manager

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Enquiries to Samantha Andrews: 0333 0138 501

### **1. Purpose of the Report**

- 1.1 To provide a report on ISC activity since the last Essex Pension Fund Strategy Board meeting.

### **2. Recommendations**

- 2.1 The Board agree that the report be noted.

### **3. Background**

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on one occasion, 21 July 2020. The ISC that was due to take place on 25 March 2020 was cancelled due to the circumstances that arose in regard to the Covid-19 pandemic outbreak.

### **4. Report of the meeting of ISC on 21 July 2020**

- 4.1 The Committee reviewed the draft Treasury Management Strategy 2020/21. It was highlighted that the Strategy replicated to a large extent the Treasury Management Strategy approved by Essex County Council but had been adapted to reflect the scale of investment, use of global custodian and the separate governance arrangements of the Fund. It was agreed that a review be undertaken of the Treasury Management Practices; that the Northern Trust and BNP Paribas Global Liquidity Funds lending limits be brought in line to reflect the growth of the Fund; to accommodate the gradual move in the strategic allocation; and the Strategy be approved.
- 4.2 The Committee considered the draft Investment Strategy Statement (ISS) and the suggested timetable for consultation. It was agreed that the draft ISS be subject to stakeholder consultation and that it be included as an agenda item at the Essex Pension Fund Advisory Board (PAB) 23 September 2020 meeting, with results of the stakeholder consultation to be brought back to the 21 October ISC meeting. Further work was agreed in regard to a review of the UK Stewardship Code, the Fund's Investment Managers' Environmental, Social and Governance (ESG) and voting policies and the establishment of an Engagement Policy.
- 4.3 The main focus of the meeting's business was in regard to the impact on the Fund's investments following the recent market volatility relating to the Coronavirus pandemic. Members were encouraged to note that following a review of the Fund's portfolio and Investment Beliefs the Fund had remained resilient, and the de-risking programme put in place over the last few years was still appropriate. It was noted that whilst the Fund value had fallen from £7.027bn as at 31 March 2019 to £6.628bn as at 31 March 2020 the Fund had rebounded significantly to pre-Covid 19 levels and in some parts of the portfolio

positive outperformance for the year was achieved. There was also a recognition that the UK property landscape in particular had significantly altered over the last few months and that further analysis would be required.

- 4.4 It light of the review the Committee **agreed** to continue to implement the derisking strategy previously agreed and acknowledged that whilst the strategic allocation in overall broad terms was in in line with acceptable tolerance levels of its target, an exercise would need to be undertaken to redress some specific manager rebalancing.
- 4.5 Members were provided with a training webinar delivering an overview of private equity asset class and were encouraged to view prior to the meeting. A presentation from Hamilton Lane in respect of the Fund's Private Equity Mandate was received. Following discussions, the Committee **agreed** a further commitment of £50m to new private equity opportunities with an additional £10m to be made available should further attractive opportunities be identified during the year.
- 4.6 Members were provided with a report summarising the independent review CEM Benchmarking had undertaken of the overall fees paid by the Fund, investment returns, and net value added compared to its peers across the LGPS and global universe for the year to 31 March 2019. Agreement was given to the Fund participating in CEM's cost benchmarking review as at 31 March 2020.
- 4.7 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS.
- 4.8 Updates were provided in regard to the March 2020 ACCESS Joint Committee which included: the outcome of the recent Palestine Solidarity Campaign Supreme Court Judgement; an update on commencement of a review of ACCESS' ESG and Responsible Investment; and the quarterly Business Plan, Budget and risk update.
- 4.9 It was also highlighted that in recognition of the significant pressure ACCESS local authorities were under in responding to the Covid-19 pandemic, year-end statutory obligations and carrying out business as usual service for its members, certain ACCESS Business Plan activities had to be put on hold or progressed at a slower pace than desired. It was, however, noted that the situation had begun to improve.

## **5. Link to Essex Pension Fund Objectives**

### **5.1 Investments:**

- To maximise the returns from investments within reasonable risk parameters;
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented; and
- Ensure investment issues are communicated appropriately to the Fund's stakeholders.

## **6. Risk Implications**

6.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement and the Fund's Risk Register.

6.2 No new risks have been identified during the quarter.

## **7. Communication Implications**

7.1 The Investment Strategy Statement was subject to a six-week period of stakeholder consultation which concluded on 16 September 2020. The outcome of which, will be reported back to the 21 October 2020 ISC meeting.

7.2 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

## **8. Finance and Resources Implications**

8.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £98,000 in 2020/21.

8.2 The cost to the Fund was:

- £62,866 in 2019/20;

- £116,000 in 2018/19;
- £94,000 in 2017/18; and
- £80,000 in 2016/17.

## **9. Background Papers**

9.1 ISC meeting of 21 July 2020– agenda and draft minutes.





<b>Essex Pension Fund Strategy Board</b>	<b>PSB 12</b>
<b>Date: 23 September 2020</b>	

## **Schedule of Future Meetings and Events**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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### **1. Purpose of the Report**

- 1.1 To provide the Board with an update on the schedule of future meetings and events incorporating the process of approval by the Foreign Travel Committee.

### **2. Recommendation**

- 2.1 That the Board note the new date and time of the November training session and the content of the report.

### 3. Background

- 3.1 The Board were made aware, at their meeting on 18 December 2019, that future meetings and events would be brought to each meeting to ensure the process of approval by the Foreign Travel Committee for attendance at any conferences/seminars is incorporated within the Committee's timetable.

### 4. Upcoming Event(s)

- 4.1 Due to the current restrictions in place as a result of the Covid-19 pandemic, there are no upcoming events to note. However, there is an increase in webinars being hosted by various organisations within the LGPS. As and when any such webinars are announced, the Compliance Team will provide the Board with a communication to invite all Members to register for the event should they wish to do so.

Date	Title	Venue	Action
Monday 12 – Friday 16 October	PLSA Annual Conference	Webinar	To notify <a href="mailto:Amanda.crawford@essex.gov.uk">Amanda.crawford@essex.gov.uk</a> by COP Friday 25 September if any Member wishes to attend

### 5. Schedule of Meetings

- 5.1 The meeting dates/times for the Board to note are:

Pension Strategy Board	
Wednesday 16 December 2020	10am – 1pm
Wednesday 17 March 2021	10am – 1pm

Investment Steering Committee	
Wednesday 21 October 2020	10am – 1pm
Wednesday 20 January 2021	10am – 4pm

Wednesday 24 March 2021	10am – 1pm
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Training Days	
Wednesday 11 November 2020	10am – 1pm (to be confirmed)

- 5.2 Please note that the timings of the above named meetings may change dependent on the way the meetings are hosted (Committee Room 2 or Virtual).

## **6. Finance and Resources Implications**

- 6.1 If an event costs more than £500 for one member or £1,000 in total, then prior approval for any travel by the Foreign Travel Committee is compulsory.

## **7. Background Papers**

- 7.1 Schedule of Future Meetings and Events, PSB 11, 04 March 2020.

