

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held in Committee Room 2 at 10.00 am on 20 March 2024

1. Membership, Apologies and Declarations of Interest

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

Membership Present:

Essex County Council

Cllr S Barker	(Chairman)
Cllr M Platt	(Vice Chairman)
Cllr A Goggin	
Cllr M Mackrory	(substituting for Cllr D King)
Cllr C Souter	

District/Borough/City Councils in Essex Representatives

Cllr J Lamb	Southend on Sea City Council
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Scheme Member Representative

Sandra Child	(UNISON)
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Other Employing Bodies' Representative

Rachel Hadley	Chelmer Housing Partnership
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The following Officers and Advisers were also present in support of the meeting:

Jody Evans	Director for Essex Pension Fund
Amanda Crawford	Head of Fund Compliance and Governance
Daniel Chessell	Head of Fund Administration and Operations
Sara Maxey	Head of Actuarial and Funding
Samantha Andrews	Head of Fund Investments
Suzanne Sinclair	Compliance Analyst
Aleya Miah	Compliance Officer
Mary Lambe	Independent Governance and Administration Adviser (IGAA), AON

The following Essex Pension Fund Advisory Board (PAB) Members, Fund Officers and in-coming PSB UNISON Scheme Member representative were present as Observers of the meeting:

Nicola Mark	Independent Chairman
Andrew Coburn	Scheme Member Representative (UNISON)
Brian Pereira	Scheme Member Representative (UNISON)
Yetunde Akiode	Graduate Pension Trainee (on Zoom)

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

Opening Remarks

The Chairman welcomed the Board, including Substitute Member Cllr Mackrory, Observers and Advisers to the meeting. It was acknowledged that this would be both Cllr John Lamb's and Sandra Child's last PSB meeting. Sandra Child was presented with a small token of appreciation on behalf of the Board and the Fund as a thank you for her commitment and contribution for the last eight years on the PSB and Investment Steering Committee (ISC). Cllr Lamb was also thanked for his contribution over the last year and both were wished a happy retirement. Both Sandra Child and Cllr Lamb thanked the PSB and Officers for their support.

The Chairman extended a special welcome to Brian Pereira, observing the meeting, who would succeed Sandra Child as the newly appointed Scheme Member representative commencing in the new municipal year.

Apologies for Absence

It was noted that Cllr A Hedley, Cllr D King (substituted by Cllr M Mackrory) and PAB Members James Durrant, Debs Hurst, Cllr Redsell and Lloyd Williamson had sent their apologies.

Cllr Hoy was absent from the meeting.

Declarations of Interest

The following declarations were received:

Cllr S Barker declared that she is in receipt of an Essex LGPS pension and is a Member of the Audit, Governance and Standards Committee. Her son holds a deferred Essex LGPS pension;

Cllr M Platt declared that he is a Deputy Cabinet Member and is a member of the Audit, Governance and Standards Committee;

Cllr A Goggin declared that his wife and sister are in receipt of an Essex LGPS Pension;

Cllr Lamb declared that his daughter works for an Employer in the Fund;

Cllr Mackrory declared that he is in receipt of an Essex LGPS pension and his son is employed by Aviva;

Sandra Child declared that she is in receipt of an Essex LGPS pension; and

Rachel Hadley declared she is the HR Director of Chelmer Housing Partnership (an Employer of the Fund).

Resolved:

The Board noted the content of the report.

2. Minutes of the PSB meeting held on 13 December 2023

The Minutes of the meeting of the PSB held on 13 December 2023 were approved as a correct record and were signed by the Chairman.

The Chairman brought to Members' attention the matters arising and it was noted that:

- Fund Officers wrote to Brian Pereira on 09 January 2024, formally confirming his appointment as UNISON representative on the PSB, succeeding Sandra Child;
- the Policy for Recording and Reporting Breaches of Law and the Governance Policy and Compliance Statement had been published on the Fund's Website; and
- Fund Officers had invited Members still needing to complete the Local Government Pension Scheme Online Learning Academy (LOLA) modules to training sessions held on 26 January and 28 February 2024. Updated Training Plan booklets were distributed to Members.

3. Update on Pension Fund Activity: Quarterly Update Report

The Head of Fund Compliance and Governance updated the Board on progress on the 2023/24 Business Plan as at 28 February 2024, the Budget forecast outturn as at 07 March 2024, the Scorecard position as of 31 December 2023 and the Risk Register as of 28 February 2024.

Business Plan

It was noted that of fifty-seven Business Plan priorities, fifty-three had now been completed with four, namely review of strategic objectives, Scheme Advisory Board (SAB) Good Governance, the PLSA Responsible Investment Quality Mark and Task & Finish Groups, no longer applicable in 2023/24.

Budget

Members were informed that, as at 07 March 2024, the Fund was forecasting a slight underspend of 1.9%. This was largely driven by the positive net effect of Service Level Agreement income covering operating expenditure, reduced Custodian and IGAA fees and the cost of the new website now falling into 2024/25, which offset the overspend in administration driven by additional McCloud work not originally budgeted for.

Scorecard

One movement, from amber to red, had been recorded within the Exception Report, relating to the Governance measure on attendance at PSB meetings

which had fallen from 70% (July and September attendance) to 60% (December attendance). This was likely also to remain red for the final quarter of 2023/24 as two Councillors were absent at this meeting, and it had not been possible to secure substitutes. The Chairman proposed seeking an additional substitute Member for the Conservative Group.

Members discussed the importance of attending these meetings to enable the Fund to meet the many training requirements set within The Pensions Regulator's (TPR's) General Code of Practice and MiFID II, etc.

It was agreed that Officers would seek guidance from Democratic Services on whether a minimum attendance level should be applied to Pension Boards and Committee Members.

The IGAA observed that the Board's active pursuit of non-attendance was commendable and that additional statutory training requirements expected to be published in summer 2024 made this an even more critical issue.

It was also noted that four governance measures were assessed as "red":

- two continuing vacancies on the PAB (following the departure of Cllr Bracken) and on the PSB (following the departure of Cllr Riley). This was unchanged from the last meeting;
- the PSB attendance measure mentioned above; and
- the remaining "red" measure concerning External Audit which would remain red for the foreseeable future. A further update on this issue would be provided at Agenda Item 4.

One Governance measure and four Administration measures were assessed as "amber" which was unchanged from the last meeting.

Risk Management

As at 28 February 2024, no movements had been recorded since the last meeting. Eight risks were not at their target score and it was noted that the Risk Register would be reviewed in detail as part of the PAB's comprehensive review of risk, including an assessment of compliance with new legislation and guidance.

Resolved:

The Board:

- **agreed** that the Chairman should seek an additional Conservative Group Substitute PSB Member;
- **agreed** that Officers should liaise with Democratic Services on the issue of persistent non-attendance; and
- noted the latest Pension Fund Activity Report.

4. Update on Essex Pension Fund Accounts and External Audit

The Head of Fund Investments updated the Board on the latest position concerning delays to External Audit.

Members were pleased to learn that the Fund's 2020/21 Financial Statements had been signed off by BDO at the end of January 2024 and audited Annual Report and Accounts 2020/21 had been published on the Fund's website. It was noted that BDO were now working on elements of the 2021/22 and 2022/23 audits and have indicated their intention to complete this work by the end of May 2024 and September 2024 respectively.

It was explained that BDO were currently undertaking testing work, including requesting vastly larger sample sizes than previously, and while the Fund was delighted to see progress with the 2021/22 audit it was putting considerable pressure on the Fund's Administration, Systems and Funding and Employer teams.

Alongside this, the Fund still has the statutory requirement to produce its 2023/24 draft Accounts by the end of May 2024 in line with statutory deadlines.

New auditors, Ernst & Young, would not be in a position to commence work on the 2023/24 audit until 2021/22 and 2022/23 audits had been completed and the Accounts signed off.

Resolved:

The Board noted the update.

5. Essex Pension Fund Policies and Publications

5a. Essex Pension Fund (EPF) Three-year Business Plan and 2024/25 Budget

The Director for Essex Pension Fund presented the Fund's Three-Year Business Plan for 2024/25 to 2026/27 and the proposed Budget for 2024/25 to support the Business Plan activities.

New activities for 2024/25 included:

- a review of Fund Policies including the Risk Management Strategy, Business Continuity Policy and Plan and the Cyber Policy. This review was included in the PAB Annual Workplan as part of the Review of Risk workstream;
- a review of the Stakeholder Engagement Strategy;
- a review of the Investment Engagement Strategy;
- a review of Cashflow Management within the Fund;
- exploration of the Metrics for Taskforce on Nature-related Financial Disclosures (TNFD);

- implementation of the Net Zero Journey Plan agreed at the 28 February 2024 ISC;
- retender for the Independent Investment Adviser (IIA); and
- development of the Fund's new website.

A Budget of £7.17m had been proposed to support the Fund's 2024/25 Business Plan areas of activities, comprising £4.42m operational budget and £2.75m for third party supplier support and advice. The increase from the previous year's Budget was a result of RPI and CPI uplifts on third party supplier contracts and the roll forward of some 2023/24 Business Plan activities into 2024/25. This included the development of the Fund's new website.

Members were also presented with the proposed PAB Annual Workplan for 2024/25 which included:

- Management of risk - consultation on the content of the Fund's Risk Management Strategy (including the Business Continuity and Cyber Security Policies). This was a large-scale project which had already commenced;
- Website review – acting as a sounding board to ensure the website delivers improved communication/experience with stakeholders. An update on progress to date would be provided in Part II of the meeting;
- review and update of the PAB Pamphlet;
- TPR's General Code – ensuring compliance with the new Code effective from 27 March 2024. This would be a large piece of work encompassing areas such as data, cyber security and internal controls; and
- Scheme Advisory Board (SAB) Good Governance Project – following publication of a Consultation or Statutory Guidance (yet to be published but expected in 2024), ensuring compliance.

It was highlighted that these workstreams would be in addition to the PAB's usual activities including, but not limited to, the annual review of the Risk Register, submission of the PAB Annual Report to the SAB and assisting with investigation of Breaches of the Law.

Resolved:

The Board **approved:**

- the EPF Three Year Business Plan for 2024/25 to 2026/27; and
- the Budget for 2024/25 of £7.17m as detailed in the Business Plan.

5b. Knowledge and Skills Strategy

The outcome of the review of the Knowledge and Skills Strategy for Board/Committee Members was presented to the Board for consideration.

Members were reminded that as part of the Fund's 2023/24 Business Plan, all Board/Committee Members were requested to participate in the Hymans Robertson Knowledge and Skills Assessment. From the results, a new two-

year Training Plan had been developed, aligning with the LOLA and TPR's General Code of Practice and including recalibration of credits awarded and the credits Members would be required to achieve within a two-year rolling programme. The Head of Fund Compliance and Governance shared the revised "chessboard" of required knowledge and skills for PSB, ISC and PAB Members.

It was noted that, depending on the outcome of elections in 2024 and the impact of these on Board/Committee membership, the Training Plan might need to be further reviewed in a year's time.

Members had been issued with their current Training Plans and were reminded that the Compliance Team would be happy to support and assist them in securing the credits required to achieve compliance for 2023/24.

Resolved:

The Board **approved** the revised Knowledge and Skills Strategy and two-year Training Plan and noted the content of the report.

6. Quarterly Reports

6a. ISC Quarterly Report

The Board was advised that the ISC had met on one occasion since the last PSB meeting, on 28 February 2024, but that, owing to publishing deadlines, the report also covered the ISC meeting on 29 November 2023.

Highlights of the meeting on 28 February 2024 included:

- the approval of the 2024/25 Treasury Management Strategy;
- the Committee received training on carbon emissions and discussed the outcome of the Fund's Taskforce for Climate Related Disclosures (TCFD) assessment, noting the considerable strides made over the last two years in reducing its carbon footprint and achieving its 2030 target of 50% reduction of the Fund's equity scope 1 and 2 emissions against its 2021 baseline ahead of time. As a result, the ISC will look to set a new target during 2024. The ISC was keen to start measuring scope 3 emissions but recognised there were still challenges around data quality and consistency;
- Members also received training on Private Equity, including Impact Investing in this space, and subsequently agreed a £70m top up to its rolling annual commitment to Private Equity;
- an update on ACCESS, which would be covered later on the Agenda. Most notably, ACCESS's business plan for 2024/25 had been agreed together with a Budget to support the activities therein;
- a discussion of the Government's November 2023 response to the outcome of the Consultation on next steps for Investments including an evaluation of the Fund's current position in respect of the recommendations, demonstrating that it was in a good position overall;

- the outcome of the fourth Competition and Markets Assessment (CMA) for Hymans Robertson, the Fund's Institutional Investment Adviser; and
- confirmation that the Independent Investment Manager's contract had been extended for twelve months.

Resolved:

The Board noted the content of the report.

6bi. PAB Quarterly Report

The Head of Fund Compliance and Governance provided the Board with a report detailing the PAB activities since the last Board meeting.

It was confirmed that the PAB had met on one occasion, on 13 December 2023, following on from the PSB meeting held on that day which was discussed in full and no issues were raised.

It was explained that the main focus of the meeting was the first stage of the Risk Review, specifically looking at Business Continuity. At the PAB meeting later today, the Board would move on to consider Cyber Risk, including guidance from TPR.

It was noted that three out of seven activities on the PAB Annual Workplan – the Policy for Recording and Reporting Breaches of the Law, consultation on the Investment Strategy Statement and production of the Fund Achievements document – were now complete and the website review was in progress. The PAB had contributed to the development of the specification and would continue to be closely involved in the process going forward.

Members agreed that the PAB had undertaken valuable work on behalf of the Fund in 2023/24 and the Chairman formally thanked the PAB for their support.

Resolved:

The Board noted the content of the report.

6bii. PAB Scheme Member Representation

Members were reminded that, as Debs Hurst's term of office on the PAB was coming to an end on 31 May 2024, the PSB had been asked at the meeting on 20 September 2023 to convene an Appointments Panel, comprising of the Chairman of the PSB, the PSB Scheme Member Representative and the Director for Essex Pension Fund. The Panel had been convened early to facilitate the involvement of Sandra Child as out-going PSB Scheme Member Representative with three candidates interviewed on 09 January 2024.

Debs Hurst had re-applied for the role and impressed the panel with demonstrating her knowledge. The Panel agreed to re-appoint Debs Hurst for a term of four years, commencing 01 June 2024.

Mindful that Lloyd Williamson, deferred Scheme Member on the PAB, had elected to transfer his benefits to his new LGPS Employer and therefore would cease to be eligible to serve on the PAB, the Panel also agreed to appoint Catherine Calder, Tendring District Council, to succeed him. Her four-year term of office would also commence on 01 June 2024.

Resolved:

The Board noted the content of the report.

7. Wider LGPS Update

The Director for Essex Pension Fund gave a high-level overview of important developments in the LGPS. The key elements discussed included:

- McCloud – noting that letters had been issued to Scheme Members who might meet the criteria, informing them that they would be contacted again in due course should they be affected, and prioritisation of cases was underway. Members were informed that approximately 86,000 letters had been mailed to a range of Scheme Members;
- Goodwin – changes to legislation were in the process of being made;
- Good Governance – indications of elements of guidance were beginning to come through;
- TPR's General Code of Practice – the Code had been laid in Parliament in January 2024 and would come into force on 27 March 2024. Fund Officers were in the process of reviewing the 171-page document, including making use of resources from specialists such as Hymans Robertson, Barnet Waddingham and Aon, to identify the requirements relevant to the LGPS and map nuances and linkages. The next step would be to assess the Fund's current degree of compliance with these requirements and, where it was non-compliant or partially compliant, develop an action plan to get to a compliant position, just as it previously had with Code of Practice 14;
- Pooling guidance – an analysis of the Government's response to the outcome of the Next steps on investments consultation and implications for the Fund had been presented to the 28 February 2024 ISC, including actions for Fund Officers;
- TCFD Metrics – in addition to TCFD, work was now in progress on new, distinct Taskforce on Nature-related Financial Disclosures (TNFD), encouraging organisations to integrate nature-related dependencies, impacts, risks and opportunities into their decision making. Legislation had yet to be published on either of these;
- Pensions Dashboard – a "go live" date of 2025 had been set for Public Service Pension Schemes. Further information was expected in due course; and
- CIPFA Key Performance Indicators (KPI) for the Annual Report and Accounts – a SAB working group was developing new KPIs which would feed through to the Fund's Annual Report and Accounts and Scorecard. The outcome of this work was expected imminently.

Resolved:

The Board noted the update.

8. The Pension Regulator's (TPR's) General Code

Members were reminded that they had been given the headlines of the TPR's General Code at their Back-to-Basics training day in January 2024.

As outlined in Agenda item 7, Fund Officers in consultation with the IGAA would be progressing the next step of assessing the Fund's compliance with the Code and the outcome of this assessment would be reported to the PAB for review in the first instance and the PSB through the PAB Quarterly Update Report.

Resolved:

The Board noted the content of the report.

9. Schedule of Future Meetings and Events

Members were reminded of agreed meeting dates in 2024/25:

Wednesday 03 July 2024	10:00 – 13:00
Wednesday 25 September 2024	10:00 – 13:00
Wednesday 11 December 2024	10:00 – 13:00
Wednesday 19 March 2025	10:00 – 13:00

The annual Back to Basics training had been scheduled for Friday 24 January 2025.

Proposed 2025/26 dates were provided for provisional agreement by the Board:

Wednesday 02 July 2025	10:00 – 13:00
Wednesday 24 September 2025	10:00 – 13:00
Wednesday 10 December 2025	10:00 – 13:00
Wednesday 18 March 2026	10:00 – 13:00

The annual Back to Basics training had been scheduled for Friday 23 January 2026.

There were at the time of the meeting no upcoming external events that PSB Members should be aware of. Any events publicised before the July PSB meeting would be flagged to Members via email.

Resolved:

The Board:

- **agreed** the proposed meeting dates for 2025/26; and
- noted the content of the report.

11. Urgent Part One Business

It was brought to the Board's attention that, having been shortlisted for three 2024 Pensions Age Awards:

- DB Scheme of the Year Award;
- Pension Scheme Communication Award; and
- Best Investment Strategy Award;

the Fund had won the Best Investment Strategy Award 2024 which had been presented at the awards event on 21 February 2024.

It was noted that the Pension Age Awards were open to all public and private schemes in the UK but few LGPS funds had been shortlisted.

The Fund's success was applauded by the Board and would be reported to Full Council in May 2024.

Resolved:

The Board congratulated the Fund on this achievement and noted the update.

Exclusion of the Public and Press

The Chairman moved that the press and public be 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 Board **agreed** to proceed.

11. Website Procurement

The Head of Fund Compliance and Governance updated the Board on the process for the procurement of the Fund's new website.

Following the agreement of the specification at the PSB's meeting on 20 September 2023, a Request for Quotation (RFQ) was issued to seven suppliers on 05 January 2024. Four suppliers responded to the RFQ by the deadline of 02 February 2024.

An evaluation panel, comprising the Head of Fund Compliance and Governance, the System Development Manager and ECC Service Transformation Lead Service Designer, assessed the bids, based on their written submission and presentation. The weightings applied were 40%

technical experience, 40% cultural fit and 20% price. This was moderated in consultation with ECC Procurement.

The PSB was asked to agree that a three-year contract be awarded to the preferred bidder as detailed in the report, with website development commencing in April 2024 with the expectation that this will be fully implemented by April 2025, the PAB to be involved throughout.

Resolved:

The Board:

- **agreed** to award the contract to the preferred bidder for a three-year period; and
- noted the content of the report.

12. Employer Update and Employer Risk Analysis

The Board received an update from the Head of Actuarial and Funding on the latest Employer Risk Analysis Undertaken.

At the 13 December 2023 PSB meeting, two Employers had been assessed as high risk and three as moderate-high risk, all posing a low residual risk to the Fund. As at 18 March 2024, three Employers were assessed as high risk and four as moderate-high risk. To secure the Fund's protection, Fund Officers were ensuring that any Bonds held were not due to lapse. All the Employers listed had guarantees in place and Officers were comfortable that there was no significant risk to the Fund.

Resolved:

The Board noted the content of the report.

13. Pooling Update

The Director for Essex Pension Fund updated the Board on the ACCESS Joint Committee (AJC) meeting held on 04 December 2023 (an update on which had been presented at the ISC on 28 February 2024). Items discussed included:

- ACCESS's 2024/25 Business Plan. A recommendation was now with Local Authorities to agree the Plan along with the Budget to support it;
- Confirmation of Tavistock's appointment as ACCESS's communication partner;
- an update on the third-party review of the ACCESS Support Unit (ASU);
- an update on the Government's response to the latest Pooling Consultation;
- agreement that JP Morgan and IFM would now count as "pool aligned" and occupy the two infrastructure building blocks.

The ISC supported the proposed Business Plan activities and associated Budget.

Members were made aware that there had been a further AJC meeting on 04 March 2024. Briefing notes and papers would be emailed to Members when available and a report to be taken to the ISC on 19 June 2024 and the PSB on 03 July 2024.

Resolved:

The Board noted the update provided.

16. Urgent Exempt Business

It was confirmed that the Fund value currently stood at £10.7bn.

Closing Remarks

The Chairman thanked those present for attending. There being no further business, the meeting closed at 11:26 am.

Chairman
03 July 2024