

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held in Committee Room 2 at 10:00am on 06 July 2022

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 D King | |
| Cllr C Souter | |

District/Borough Councils in Essex Representatives

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|---------------|--|
| Cllr C Riley | Castle Point Borough Council |
| Cllr S George | Southend-on-Sea City Council (arrived 10:30am) |

Scheme Member Representative

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|--------------|----------|
| Sandra Child | (UNISON) |
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Other Employing Bodies Representative

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|---------------|-----------------------------|
| Rachel Hadley | Chelmer Housing Partnership |
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It was noted that Cllr S George attended the meeting via Zoom and therefore was unable to vote on any decisions required. Cllr M Durham, Conservative Substitute Member, also attended as an Observer of the meeting.

The following Officers and Advisers were also present in support of the meeting:

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| Jody Evans | Director for Essex Pension Fund |
| Samantha Andrews | Investment Manager |
| Amanda Crawford | Compliance Manager |
| Sara Maxey | Employer Manager |
| Helen Pennock | Compliance Analyst |
| Graeme Muir | Fund Actuary, Barnett Waddingham |
| Marcia Wong | Compliance Officer (via Zoom Observer) |
| Peter Herring | Essex Pension Fund Graduate Trainee (Observer) |
| Oliver Murray | Senior Pension Consultant (via Zoom Observer) |

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

| | |
|----------------|---------------------------------------|
| Nicola Mark | Independent Chairman |
| Andrew Coburn | Scheme Member Representative (UNISON) |
| Stuart Roberts | Scheme Member Representative |

In addition, the following PAB Members were present remotely via Zoom as Observers of the meeting:

| | |
|----------------|-------------------------|
| James Durrant | Employer Representative |
| Cllr M Bracken | Employer Representative |
| Cllr L Barber | Employer Representative |

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

Opening Remarks

The Chairman welcomed Cllr S George as the new Employer Representative from Southend-on-Sea City Council, the Board, Observers and Fund Actuary to the meeting.

Apologies for Absence

It was noted that Cllr Hoy and PAB Members Cllr J Duffin and Debs Hurst were unable to attend the meeting and had sent their apologies.

Declarations of Interest

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and is a Member on the Audit, Governance and Standards Committee. In addition, her son was also a member of the Essex Pension Fund and works as a Sustainability Manager for Essex County Council (ECC);

Cllr M Platt is a Deputy Cabinet Member and is Vice Chairman 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 A Hedley declared that he was in receipt of an Aviva Group Pension and is the Chairman of the Audit, Governance and Standards Committee;

Cllr D King declared that he is also a Member of the Audit, Governance and Standards Committee;

Rachel Hadley declared she was the HR Director of Chelmer Housing Partnership (an Employer of the Fund); and

Cllr C Riley and Sandra Child declared they were in receipt of an Essex LGPS pension.

Resolved:

The Board noted the report.

2. Confirmation of the Appointment of the Essex Pension Fund Strategy Board (PSB) Chairman and Vice Chairman

The Chairman outlined the process in regard to the annual Chairman and Vice Chairman arrangements of the PSB and the appointment of the Fund's representative on the ACCESS Joint Committee (AJC).

It was noted that at the ECC Full Council meeting held on 10 May 2022, Councillor Susan Barker was re-appointed as the Chairman of the Investment Steering Committee (ISC) and PSB for Essex Pension Fund. In addition, at the ISC meeting held on 15 June 2022 it was agreed that the Chairman would be the Fund's representative at the AJC.

It was also noted that at the ISC meeting held on 15 June 2022, Councillor Mark Platt was re-appointed as Vice Chairman of both the ISC and PSB and that he would act as the Fund's representative on the AJC in the absence of the Chairman.

Resolved:

The Board noted the:

- re-appointment of Councillor Susan Barker as Chairman of the ISC and PSB as agreed at the ECC Full Council meeting held on 10 May 2022;
- the re-appointment of Councillor Mark Platt as Vice Chairman of the ISC and PSB as agreed at the ISC meeting held on 15 June 2022; and
- the Chairman act as the Fund's representative on the AJC and that, in their absence, the Vice Chairman act as the Fund's representative as agreed at the ISC meeting held on 15 June 2022.

3. Minutes of the PSB meeting held on 18 March 2022

The Minutes of the meeting of the PSB held on the 18 March 2022 were approved as a correct record and were signed by the Chairman.

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

- a further update would be provided at Agenda Item 8 in relation to the 2020/21 External Audit;

- it was confirmed that the Fund's Three-Year Business Plan, Stakeholder Engagement Strategy and Administration Strategy had been published on the Fund's website on the 01 April 2022;
- the PAB agreed to set up a Task and Finish Group at their 18 March 2022 meeting to assist with the production of the PAB Pamphlet and a further update was provided at Agenda Item 09bi;
- an update in regard the progress against the PAB Annual Workplan would be discussed at the PAB's meeting that afternoon and an update would be reported to the next PSB meeting; and
- PSB Members were invited to attend the Pre-Valuation Webinar hosted by Barnett Waddingham on 29 March 2022 with one PSB Member having attended.

Members were informed that the remaining matters arising would be dealt with throughout the Agenda Pack.

4. PSB Terms of Reference

The Board was presented with their Terms of Reference (TOR) and it was explained that in order for this Agenda item to be noted, all Members had been invited to attend a Governance Training session which was held on 14 June 2022. In addition, a further Training session was held on 01 July 2022 to accommodate those who could not attend on the 14 June.

Members were informed that after review of the TOR by Fund Officers, no changes had been recommended for the Board's consideration.

Resolved:

The Board noted the TOR as set out in Appendix A of the report.

5. Annual Report to ECC

The Board received the Essex Pension Fund Annual Report for 2021/22, which had been approved by the Chairman and Vice Chairman on 14 June 2022.

Members were advised that the Report would be presented by Cllr Barker at the forthcoming 12 July 2022 Full Council meeting.

Resolved:

The Board noted the report.

6. Update on Pension Fund Activity: Quarterly Update Report

The Compliance Manager provided the Board with an update on progress in relation to the 2022/23 Business Plan, the Scorecard position as at 31 March 2022 and Risk Register as at 30 June 2022.

Of the forty-six areas of activities highlighted in the Business Plan, the Board noted that one of these had now been completed, thirty were in progress and fifteen were not yet due to commence.

Two downward movements, from green to amber, were noted within the Fund's Scorecard and were recorded within the exception report. These were in regard to ISC attendance with 7 out of 9 Members attending the February ISC which resulted in a 78% attendance rate against a target of 80%. However, it was noted that the Committee achieved 89% attendance for the year. The other related to the number of risks at their target score, 89% against a target of 90%, as a result of two upward movements recorded in the quarter ending 31 March 2022 relating to Cyber Risk and Wider LGPS implications respectively.

The Board also noted the two scorecard measures that had remained red since the last meeting in regard to: the 2020/21 External Audit which would continue to remain red for the foreseeable future until BDO are in a position to sign off the ECC Accounts; and PAB meeting attendance which had worsened last quarter from 67% to 56%, although 100% attendance was expected at their meeting that afternoon.

It was explained that a full Risk Register review had been undertaken by Officers in consultation with the ECC Risk Advisor with eight movements recorded. It was also noted that five risks were not at their target score as at 30 June 2022.

Resolved:

The Board noted the latest Pension Fund Activity Report.

7. Internal Audit Annual Report

The Director for Essex Pension Fund provided the Board with the outcome of the two Pension Fund Internal Audit Reviews: Administration; and Funding & Investments. It was noted that both reviews received 'Good Assurance', the highest level of assurance that can be given which has marked more than a decade of 'Good Assurance', or equivalent outcomes received by the Fund.

In addition, it was noted the Fund received no recommendations for the fourth consecutive year.

The Chairman welcomed this news highlighting that in addition to the Pension Fund outcomes that were reported to the June Audit, Governance and Standards (AGS) Committee the ACCESS Support Unit internal audit outcome also received 'good assurance' and that of all those internal audits that had been completed in 2021/22, few received the highest outcome.

It was also confirmed that the Audit Planning Report for 2022/23 was presented to the AGS Committee at their 21 March 2022 meeting.

Resolved:

The Board noted:

- the outcomes of the 2021/22 internal audit reports;
- the outcome of the 2021/22 National Fraud Initiative; and
- the planned audits of the Pension Fund for 2022/23.

8. Update on Essex Pension Fund Draft Accounts 2021/22 and External Audit

The Board received an update from the Investment Manager noting that at this meeting the External Audit Planning Report would normally be presented, however, it was yet to be presented to the AGS Committee.

Members were informed that the statutory timeline for the production of the Draft Statement of Accounts for 2021/22 to be ready for inspection was 31 July 2022 and that following the outcome of a recent Government consultation the final audited and approved Accounts deadline had been extended from 30 September to 30 November 2022.

Following a conversation with BDO on Monday 04 July 2022 it was confirmed the provisional date for this year's audit to commence was the 15 August 2022, with fieldwork planned to commence on 30 August 2022. However, it was noted that these dates were subject to change pending BDO's completion of their NHS audits.

An update was also provided in regard to the outstanding issue with the 2020/21 ECC Audit which continues to impact the final sign off of the County and Pension Fund Accounts. It was noted Members continued frustration and disappointment with the delivery of the external audit by BDO and the knock-on effect these delays could have on the 2021/22 audit and potentially the Triennial Actuarial Valuation.

Resolved:

The Board noted to content of the report.

9. Quarterly Reports**9a. ISC Quarterly Report**

The Investment Manager provided the Board with a report detailing the ISC activities since the previous Board meeting.

It was confirmed that the ISC had met on one occasion, 15 June 2022. The Board were advised that the meeting was split into two meetings allowing the Committee to focus on the strategic decisions in the morning and the normal quarterly business in the afternoon.

The main focus of the morning meeting were the strategic decisions linked to the three pillars of the Investment Strategy Decision Framework that had been agreed at the February 2022 ISC meeting. These being:

- Pillar 1 – Implementing and maintaining the existing strategic targets;
- Pillar 2 – Evolving existing allocations; and
- Pillar 3 – Exploring changes to existing or new mandates.

Under Pillar 1 the Committee agreed the annual top up commitment to Hamilton Lane's private equity mandate and further commitments to Partners Group Global Infrastructure 2022 Fund and Stafford Capital Partners.

It was noted that under Pillar 2, the ISC agreed the guidelines for a brand new Environmental, Social and Governance (ESG) index tracking solution that the Fund had been working collaboratively with its index tracking manager UBS to design and launch.

Other decisions included the ISC's review of the bond and emerging market strategies available via the ACCESS Pool and the next steps to transitioning the Fund's remaining liquid assets into the Pool. In addition, the final step to disinvesting Marathon's global equity was also agreed.

It was explained that under Pillar 3 the Committee reviewed and revised its approach to implementing its long-term strategic targets, as well as how the current portfolio may be evolved to capture the Fund's Responsible Investment (RI) Beliefs and desire for a more sustainable impactful approach. To this end the ISC agreed a RI Framework for integrating the Fund's RI beliefs into the overall portfolio construction.

During the afternoon's meeting, the main areas of business were:

- the outcome of the Annual Investment Monitoring of the Fund's Managers;
- the Annual Investment Scorecard assessment;
- the outcome of the CEM benchmarking Value for Money Review; and
- the update in regard to Fund's RI Project Plan noting in particular the Fund's submission on 29 April 2022 to become a signatory of the Financial Reporting Council (FRC) UK 2020 Stewardship Code.

Resolved:

The Board noted the content of the Report.

9b. Essex Pension Fund Advisory Board (PAB)

9b(i). PAB Quarterly Report

An update was provided on the PAB activity since the last Board meeting. It was confirmed that the PAB had met on one occasion on 18 March 2022.

During that meeting, the PAB discussed the business of the PSB meeting of 18 March 2022 raising no concerns.

The main area of business discussed was the approval of the PAB Annual Workplan by the PSB and the recommendation that a Task and Finish Group (T&FG) be set up to review the "Role of the PAB" activity area.

It was agreed that the Membership of the T&FG be James Durrant, Employer Representative; along with Debs Hurst and Christopher Downes, Scheme Member Representatives. It was also agreed that a Review Panel be set up consisting of: Nicola Mark, PAB Independent Chairman; Andrew Coburn, PAB Vice Chairman; Karen McWilliam, Independent Governance & Administration Adviser (IGAA); and Daniel Chessell, Essex Pension Fund Retirements Manager to review the progress of the T&FG between meetings.

Members were made aware that three T&FG meetings had so far been held and that a draft PAB Pamphlet was to be considered by the PAB at their meeting that afternoon.

The Chairman thanked the PAB for their hard work.

Resolved:

The Board noted the content of the report.

9b(ii). PAB Annual Report

The Compliance Manager provided the Board with an overview of the PAB Annual Report which detailed their activities during 2021/22 confirming that the Report had been approved by the Independent Chairman, Nicola Mark and the Vice Chairman, Andrew Coburn in June 2022.

Members were also advised that one amendment would be made in regard to Cllr Walsh's Board Membership cessation date which should read 06 May 2021.

It was brought to the Board's attention that Nicola Mark thanked Officers, PAB Members and the PSB for their support in assisting in the completion of the PAB's objectives and work plan.

Resolved:

The Board noted the content of the 2021/22 Annual report and acknowledged it would be published within the Fund's Annual Report & Accounts and forwarded to the Local Government Pension Scheme Advisory Board.

10. Pre 2022 Valuation Training

The Fund's Actuary Graeme Muir, Barnett Waddingham, provided the Board with an Actuarial Valuation training presentation which included: a high-level

look at the different types of Valuation; how the Actuary values the Fund's assets and liabilities; and sets contribution rates for employers as well as the forthcoming timescales in order that the 31 March 2023 deadline be met.

Members were made aware of the important issues affecting the LGPS that had to be considered during the 2022 Valuation, these being: Section 13; McCloud; Climate Change and Covid-19.

Resolved:

The Board thanked Graeme Muir for an informative training session and noted the presentation.

11. Training Plan Update

The Board were provided with an update in regard to the progress against their two-year Training Plan noting the areas that had been completed to date and the remaining areas that would be completed over the forthcoming year.

Feedback was sought from Members on the training they had undertaken to date to enable the Fund to plan the remaining training sessions for the year, noting that a mixture of face to face and online sessions worked well and the preference, where possible, hosting relevant training within the meetings.

Resolved:

The Board noted the update.

12. Schedule of Future Meetings and Events

The Compliance Manager provided the Board with a report detailing the planned Board meetings for the remaining of the municipal year and that the Back-to-Basics training day date would be confirmed in due course.

Members were also notified of the upcoming Training Events for their consideration.

Resolved:

The Board noted the content of the report.

13. Urgent Part One Business

The Chairman brought to the attention of the Board that a report would be considered at the forthcoming Full Council meeting whereby a proposal was being put forward that Board Members who were not an Elected Member or in employment, whereby they were released, by their employer to perform their role for the Fund, could receive remuneration for their time spent. If agreed, this would mean that the Board's TOR would subsequently need to be revised accordingly and be brought back to the Board at a future meeting.

The Chairman informed Members that the meeting would reconvene at 11:37am following a short adjournment.

The meeting was adjourned at 11:32am

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The Board reconvened at 11:39am

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.

14. Funding

14a. Employer Update

The Board received an update from the Employer Manager in regard to the Exit Credit Policy which came into force in June 2020.

The Board were informed of the termination of two school cleaning contractors both identified with surplus exit credits of £8k and £1k respectively. It was noted that under the Fund's Policy the sums would be repaid minus any actuarial fees and costs incurred. It was confirmed that since June 2020, only four exit credit payments totalling £99k, had been made to exiting Employers including the two Employers detailed in the report.

In addition, the Board were provided with an update on the Risk Analysis undertaken by Fund Officers highlighting those potential Employers at risk. It was explained that two Employers were assessed as remaining at high risk due to their historical admission agreements and the absence of security or a guarantor. It was however, confirmed there was no significant impact on the Fund due the size of the liabilities connected to these Employers.

Members requested that going forward if the data could be presented to include a RAG status to identify at a glance the residual risk to the Fund. Officers confirmed that they will action when the updated positions are received from the Valuation process.

Resolved:

The Board noted the content of the report.

14b. Multi Academy Trust Liability Transfer

An update was provided on a Multi Academy Trust Liability (MAT) Transfer. Members were reminded that as part of their March 2019 meeting, the Board agreed the transfer of liabilities from the ceased MAT on an ongoing basis from Buckinghamshire Pension Fund to Essex Pension Fund with one of the stipulations before it could proceed that a valid bond be set up.

It was noted that no further correspondence had been received concerning the transfer until June 2022 whereby the Education and Skills Funding Agency (ESFA) made contact with the Fund to discuss the matter and made the request that the requirement of a bond be removed from the agreed stipulations, stating that there was now no requirement for a bond as the Government Academies Guarantee would provide the same protection.

The implications were discussed, and the Board agreed to accept the Government Academies Guarantee in place of a bond and that all other stipulations as agreed back in March 2019 remain.

Resolved:

The Board **approved** the updated proposal as detailed in section 6 of the report.

15. Pooling Update

The Director for Essex Pension Fund provided the Board with an update from the ACCESS Joint Committee (AJC) meeting held on 07 March 2022 which was presented to the 15 June 2022 ISC.

It was noted that:

- the AJC had agreed to Local Pension Board (LPB) representation and that going forward two Observers from each ACCESS Authorities LPB would be invited to attend in person AJC meetings once a year on a rotational basis;
- the Inter Authority Agreement (IAA) would need to be amended to:
 - facilitate LPB Observer Representation;
 - the permission of Substitute Members; and
 - explicit reference to the approval of ACCESS Policies/Guidelines;
- Four new sub-fund slots were established; and
- Real Estate be the first illiquid alternative asset class to be progressed.

At the 15 June 2022 ISC meeting the Committee agreed to refer the decision of Observer Representation at the AJC to the PSB. The Board discussed three possible options these being:

Option 1

One Scheme Employer and one Scheme Member Representative (whoever is available at the time);

Option 2

One Scheme Employer and one Scheme Member Representative (formally appointed as Observers of the AJC); and

Option 3

Any two PAB Members attend who are available at the time of the meeting.

Following deliberation, the Board agreed to Option 1, subject to:

- the AJC agreeing the changes to the IAA and recommending to all eleven ACCESS Authorities;
- the PAB TOR being updated to reflect this change; and
- both the IAA and PAB TOR being agreed by ECC Full Council.

It was acknowledged that for this arrangement to be effective it would require all eleven ACCESS Authorities to enact its own governance to adopt the revised IAA. As such interim arrangements were being discussed where LPB representation could take place on an informal basis. It was suggested that Essex was likely to be one of three ACCESS LPB's to be invited to observe the September AJC. As such Members were happy for this meeting that Officers email the PAB and invite expressions of interest in attending.

Resolved:**The Board agreed:**

- in principle, Option 1, with one Scheme Employer and one Scheme Member representative (whoever is available at the time) with the final decision agreed jointly by the PAB Independent Chairman and Director for Essex Pension Fund with the default substitute being the PAB Independent Chairman should a Scheme Employer and/or Scheme Member Representative not be available to attend the AJC;
- subject to an informal arrangement taking effect that the Compliance Team email PAB Members requesting expressions of interest to attend the September AJC as representative of the Essex Pension Fund; and
- to note the content of the Report.

16. Urgent Exempt Business

The Chairman raised a matter relating to the ISC's recent decision around an appointment of a Fund Manager whereby they were requesting formal identification confirmation of all voting ISC Members. Following a discussion, the matter was resolved.

Closing Remarks

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

Lisa Baker

**Chairman
21 September 2022**

