

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held in Committee Room 2 at 10.00am on 13 December 2023

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 M Platt (Vice Chairman - in the Chair)
Cllr A Hedley
Cllr D King
Cllr C Souter

Scheme Member Representative

Sandra Child (UNISON)

Other Employing Bodies' Representative

Rachel Hadley Chelmer Housing Partnership

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
Senita Kaur	Compliance Analyst
Aleya Miah	Compliance Officer
Mary Lambe	Independent Governance and Administration Adviser (IGAA), AON

The following Essex Pension Fund Advisory Board (PAB) Members and Fund Officers were present as Observers:

Nicola Mark	Independent Chairman
Andrew Coburn	Scheme Member Representative (UNISON)
Cllr J Redsell	Thurrock Borough Council
Sheila Moorut	Lead Employer Analyst
Yetunde Akiode	Graduate Pension Trainee
Suzanne Sinclair	Compliance Analyst

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

Opening Remarks

The Chairman welcomed the Board, Observers and Advisers to the meeting. It was noted that Chairman, Cllr S Barker had sent her apologies and therefore Vice Chairman, Cllr Platt would act as Chairman in her absence.

Apologies for Absence

It was noted that Cllr S Barker, Cllr A Goggin, Cllr J Lamb along with PAB Members, James Durrant, Debs Hurst and Lloyd Williamson had sent their apologies.

Cllr Hoy was absent from the meeting.

Declarations of Interest

The following declarations were received:

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

Cllr A Hedley declared that he is in receipt of an Aviva Group Pension and is the Chairman of the Audit, Governance and Standards Committee;

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

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 20 September 2023

The Minutes of the meeting of the PSB held on the 20 September 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:

- the Full Risk Register was published on the Fund's website on 05 October 2023;
- the Chairman and Cllr Hedley had written again to the Leader of the Council escalating the Board's concerns regarding external audit delays, as agreed, on 16 November 2023; and

- an update in regard to PSB Member representation would be provided at Agenda Item 6 of today's meeting.

3. Update on Pension Fund Activity: Quarterly Update Report

The Head of Fund Compliance and Governance updated the Board on progress in relation to the 2023/24 Business Plan as at 30 November 2023, Budget forecast outturn as at 01 December 2023, the Scorecard position as of 30 September 2023 and the Risk Register as of 30 November 2023.

Business Plan

It was noted that out of fifty-seven Business Plan priorities, ten had now been completed, thirty-eight were in progress and nine were not yet due to commence. This demonstrated good progress since the PSB meeting in September 2023.

Budget

Members were informed that, as at 01 December 2023, the Fund was forecasting a slight underspend of 0.6%. This was largely driven by the positive net effect of Service Level Agreement income covering operating expenditure, and reduced Custodian fees which offset the overspend of increased postage costs and additional administration work required.

Scorecard

Three movements had been recorded within the Exception Report relating to Governance and Administration Scorecard measures. One in Governance from red to green, relating to the completion of 3rd Party Transaction forms by PAB Members, and the remaining two in Administration from amber to green, relating to the annual Administration measures.

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

- continuing vacancies on the PAB (following the departure of Cllr Bracken) and on the PSB (following the departure of Cllr Riley). Representatives were to be appointed by the Essex Leaders and Chief Executive Group which have not yet been received; and
- the remaining "red" measure related to External Audit which will remain red for the foreseeable future.

Six measures had been assessed as "amber":

- two in governance, namely eight risks not at their target score (86% were at target against a target of 90%) and one due to the 70% attendance rate at the PSB meetings held in Quarter 1 (against a target of 80%); and
- four annual administration measures not at their target score.

Risk Management

As at 30 November 2023, one movement had been recorded in the Governance section due to the failure to sign off the Essex County Council (ECC) Accounts resulting in the Essex Pension Fund now having three years of draft Annual Report and Accounts published on the Fund's website without an audit opinion. Therefore, this risk had been upgraded to the highest level from 12 (red) to 16 (red) in line with ECC's Risk Register.

It was confirmed that this risk was recognised as a Corporate Risk and has been flagged with the S151 Officer.

Members were also informed that a total of eight risks were not at their target score, unchanged since the last meeting.

Resolved:

The Board 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 also made aware that the Fund published its Annual Report and Accounts by the statutory deadline of 01 December 2023. However, like the two previous years, these were in draft without an audit opinion due to the continuing issues and delays with external audit.

BDO was yet to complete the 2020/21 audit for ECC, the deadline for which had now been extended to the end of January 2024. BDO had been invited to attend the Audit, Governance and Standards Committee meeting on Monday 18 December 2023 to provide their latest status update. A further update would be provided at the next meeting.

Resolved:

The Board noted the update.

5. Wider LGPS Update

The Director for Essex Pension Fund brought to the Board's attention that a new Minister for Local Government and a new Minister for Pensions and Financial Inclusion had been appointed as part of the November 2023 Cabinet reshuffle.

A verbal update on the outstanding wider LGPS legislation was provided and it was explained that the main outstanding items included:

- Cost Cap: remains outstanding; there have been no changes since the last meeting;

- McCloud: final updates to the EPF system will be complete by the end of January 2024. Letters to those Scheme Members who may meet the McCloud criteria are currently being processed and will be issued by 19 December 2023;
- Goodwin: amendments to legislation are in the process of being made;
- Good Governance: some elements are starting to come through despite of no formal guidance on this;
- The Pensions Regulator (TPR) Single Code: Parliament is yet to sign off the new Code;
- Pooling Guidance: a response from the Government to the pooling consultation has been received which has enabled Fund Officers to carry out analysis. Results will be reported to the February 2024 ISC meeting;
- Task Force for Climate-Related Financial Disclosures (TCFD): is work in progress, however no legislation has been received as of yet; and
- Pensions Dashboard: all Public Service Pension Schemes have been advised that this service will be going live in 2025.

Resolved:

The Board noted the update.

6. Update on PSB Member Representation

The Board received a report from the Head of Fund Compliance and Governance reminding Members that Sandra Child would be standing down as a PSB Member in March 2024. As she was a Scheme Member nominated by UNISON, it was agreed at the 20 September 2023 meeting, that Fund Officers approach UNISON to establish if they would like to nominate a replacement. Subsequently, UNISON have nominated Brian Pereira as the PSB Scheme Member representative to be appointed to the Board from 01 April 2024.

The Chairman thanked Sandra for her dedication to the PSB.

Resolved:

The Board:

- **agreed** to appoint Brian Pereira (UNISON) to replace Sandra Child from 01 April 2024 and for Fund Officers to issue the letter of appointment for a term of six years in line with the PSB's Terms of Reference;
- **agreed** for Fund Officers to invite the new Scheme Member representative, Brian Pereira, to observe its March 2024 meeting; and
- noted the content of the report.

7. Quarterly Reports

7a. Investment Steering Committee (ISC) Quarterly Report

The Head of Fund Investments provided the Board with a report detailing the ISC's activities since the previous Board meeting.

It was confirmed that the ISC had met on two occasions, on 11 October 2023 and 29 November 2023. However, due to publishing deadlines, the Board would be provided with a written update on the November meeting at its meeting on 20 March 2024.

The main items discussed at the 11 October 2023 meeting included:

- the approval of the Investment Strategy Statement (ISS) for publication following the full stakeholder consultation;
- the outcome of the Responsible Investment (RI) workshop on 18 September 2023 and progress against the RI Project Plan, most notably that the Fund has maintained signatory status to the Financial Reporting Council's (FRC's) UK Stewardship Code;
- the update on market returns and the global economy;
- the agreement, in principle, to move forward with transitioning the UK property mandate to a new investment manager, CBRE;
- the agreement to the recommendations arising from the structure review to rebalance the bond, equity and emerging market allocations including the agreement to a new bond allocation to investment grade credit;
- the update from the recent ACCESS Joint Committee meetings held in June and September 2023; and
- the Fund's response to the latest pooling Consultation which was approved using the Out of Committee Decision Making process and submitted to DLUHC on 02 October 2023.

Resolved:

The Board noted the content of the report.

7b. PAB Quarterly Report

The Board was advised that since their last meeting, the PAB had met on one occasion, on 20 September 2023. At that meeting, PAB Members discussed, in full, the PSB meeting held that day and no issues were raised. In addition, the Board received an update on progress on the PAB's 2023/24 Annual Workplan noting;

- good progress was being made against the PAB Annual Workplan;
- the "Fund Achievements" publication had been completed and submitted to the Scheme Advisory Board (SAB) this year to accompany the PAB Annual Report. It was explained that the document would be updated, submitted, and published on the Fund's

Website each year. Gratitude was extended to James Durrant, Employer Representative on the PAB who initially proposed the idea of the Fund Achievements document concept.

- a presentation was provided by the IGAA in regard to the proposed timeline for the Review of Management of Risk to be undertaken by the PAB. The Board was reminded that this related to the Fund's Risk Strategy, Risk Register, Cyber Policy, Business Continuity Policy and Plan and the interlinks these have with Essex County Council's policies and plans as well as to look at duplication and repetition as requested by the PSB. Updates would be provided at future meetings.

Resolved:

The Board noted the content of the report.

8. Policies and Publications

8a. Policy for Recording and Reporting Breaches of the Law

The PAB were asked to review the Fund's Policy for Recording and Reporting Breaches of the Law as part of the PAB Annual Workplan.

Following a light touch review of the Policy by Fund Officers in consultation with the IGAA, the PAB reviewed the Policy at its meeting on 20 September 2023. Alongside, they viewed a training video from the Fund's Local Government Technical Hub Analyst. A link to the video was issued to PSB Members on Monday 04 December 2023 for review. Members were encouraged to view the video as part of their Knowledge and Skills training.

It was explained that the Policy had been drafted in line with the current TPR Code of Practice 14 whilst publication of the new Code is pending. With no further amendments made by the PAB, they agreed to forward the revised Policy onto the PSB for approval.

Resolved:

The Board **approved** the revised Policy for Recording and Reporting Breaches of the Law and noted the content of the report.

8b. Governance Policy and Compliance Statement

Fund Officers, in consultation with the IGAA, had reviewed the Governance Policy and Compliance Statement which was due for review as part of this year's Business Plan activity.

Members were informed that an additional Annex (Annex C) has been incorporated to reflect the Fund's self-assessment against the SAB Good Governance review.

With further minor grammatical and presentational amendments made, the Policy had been provided for approval by the Board.

Resolved:

The Board **approved** the revised Governance Policy and Compliance Statement and noted the content of the report.

9. Training Plans Update

The Board was presented with an update in regard to their progress against the two-year Training Plan. It was explained that the majority of the outstanding areas to complete would be covered as part of future meetings or at the Back to Basics training day in January, by March 2024. However, it was highlighted that there may be some elements within their individual Training Plans where additional training would be required. Members were advised that they would be contacted individually regarding their individual training requirements.

A key area highlighted where commitment was required from the Board was The Pensions Regulator (TPR) and CIPFA Codes of Practice. Members were reminded that in order to achieve this element, the completion of the LGPS Online Learning Academy (LOLA) Modules was essential.

A different approach to incorporating LOLA would be suggested as part of the next iteration of the Knowledge and Skills Strategy and two-year Training Plan – however there was still an expectation that all Members should complete LOLA prior to 31 March 2024 prior to the launch of the new version which will go live on 01 April 2024. In view of this, it was agreed that training would be arranged in January 2024 for all Board/Committee Members to attend and complete LOLA together as part of an interactive session.

A discussion was held around an alternative, easier way of demonstrating knowledge and understanding. Fund Officers explained that this concern had already been raised and highlighted with Hymans Robertson who have confirmed that they would consider this feedback when further developing and updating LOLA.

Resolved:

The Board **agreed** that Fund Officers arrange a group LOLA training session in January 2024 and noted the update provided.

10. Schedule of Future Meetings and Events

The Head of Fund Compliance and Governance provided the Board with a report detailing the final Board meeting for the current municipal year, that being 20 March 2024. It was noted that 20 March 2024 would be Sandra Childs', UNISON Scheme Member's last meeting.

Members were reminded that the Back to Basics training day had been scheduled for 26 January 2024 and Members were asked to prioritise attendance.

Members were also reminded of the Local Government Association (LGA) Annual Governance Conference to be held on 18 and 19 January 2024 in York. However, the Board was advised that face to face attendance at this event was now fully booked with the option to attend online still available. Members were advised to contact the Compliance Team should they wish to attend virtually.

Resolved:

The Board noted the content of the report.

11. Urgent Part One Business

It was brought to the Board's attention that the Essex Pension Fund has been shortlisted for three 2024 Pensions Age Awards:

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

The Board was made aware that the Awards Ceremony would be held in February 2024 and would provide an update after the event.

Resolved:

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

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 Members' attention the above statement and the Board **agreed** to proceed.

12. Employer Update and Employer Risk Analysis

The Board received an update from the Head of Actuarial and Funding in regard to Employer exits from the Fund.

It was explained that following the termination of an Employer, an Exit Credit was identified leaving a small surplus.

The Board were made aware of two Employer exits. These Employers have active Scheme Members and are trying to reduce costs by exiting and moving to alternative schemes.

Members were also presented with a summary of the latest Employer Risk Analysis undertaken by the Fund.

The latest update identified that six Employers are presenting a high, moderate, or moderate-high risk of failure as at 08 December 2023, with a low residual risk to the Fund due to all having guarantors.

Cllr Hedley declared that one of the Employers named had a contract with the Council where he is a Elected Member. This was noted by Fund Officers and captured on the Declarations of Interest Log.

Resolved:

The Board noted the content of the report.

The Chairman asked the Fund's IGAA to leave the room for the next items to be taken.

13. Independent Governance and Administration Adviser (IGAA) Contract Review

The Director for Essex Pension Fund provided the Board with the outcome of the second IGAA Contract Review which was undertaken on 26 September 2023 with Mary Lambe, from Aon.

The assessment was undertaken against the baseline captured in February 2022. The assessment was reviewed by the Chairman and Vice Chairman of the PSB and the Independent Chairman of the PAB noting that improvements had been made. No development needs or under achievements were identified as part of the assessment.

Resolved:

The Board noted:

- the assessment, as set out in Appendix A of the report, of the objectives of the Fund's IGAA, Aon;
- that Fund Officers were to periodically monitor and review Aon's progress and establish next steps as and when applicable;
- a formal assessment would be undertaken in 12 months' time with Aon, and the outcome reported back to the PSB in Q3 2024/25; and
- the content of the report.

14. Actuary Contract Review

The Board were presented with a presentation from the Director for Essex Pension Fund providing them with the outcome of the fourth triennial Fund

Actuary Contract Review which was undertaken during November 2023 with Graeme Muir, from Barnett Waddingham.

The assessment was undertaken against the contractual requirements. The assessment was reviewed by the Chairman and Vice Chairman of the PSB noting it as a baseline assessment using the new approach adopted by Fund Officers.

No development needs or under achievements were identified as part of the baseline assessment.

Resolved:

The Board noted:

- that Barnett Waddingham would continue as the Fund Actuary;
- that a further Service Review be undertaken by Officers in 2026/27 with the outcome reported back to a future PSB meeting; and
- the content of the report.

15. Pooling Update

The Director for Essex Pension Fund presented the Board with an update from the ACCESS Joint Committee (AJC) meetings held in June and September 2023 which were presented to the 14 June 2023 and 11 October 2023 ISC meetings respectively.

Key developments included:

- the re-appointments of Cllr Kemp Gee and Cllr Barker as Chairman and Vice Chairman of the AJC respectively;
- the completion of the sale of Link Fund Solutions to Waystone;
- the completion of the sale of MJ Hudson's advisory arm to Apex; and
- the submission of the Pool's response to the latest Pooling Consultation.

The Board were made aware that a further AJC meeting was held on Monday 04 December 2023 which would be reported to the February 2024 ISC and then the March 2024 PSB.

Resolved:

The Board noted the update provided.

16. Urgent Exempt Business

There was none.

Closing Remarks

The Chairman thanked those present for attending. There being no further business, the meeting closed at 11:35am.

Chairman
20 March 2024

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