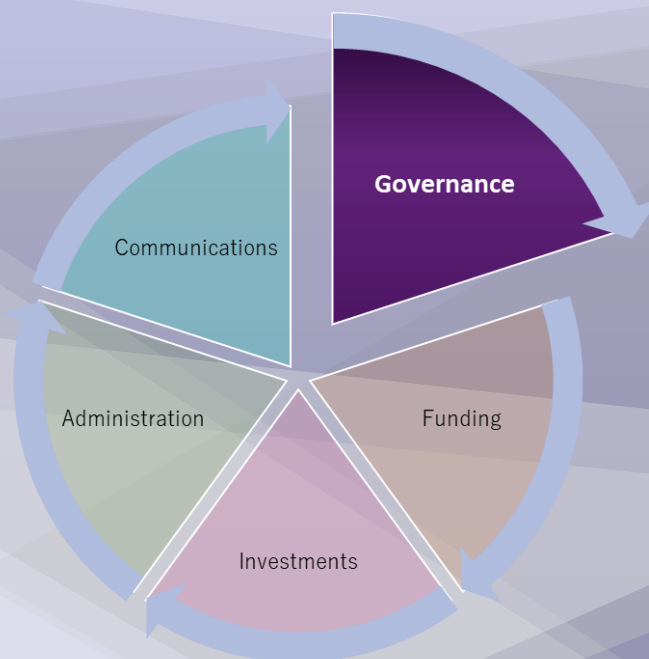


Essex Pension Fund

Annual Report 2022/23

July 2023



Essex Pension Fund

Annual Report 2022/23

1. Introduction

This is the fourteenth annual Report of the Essex Pension Fund Boards, covering the period from 01 April 2022 to 31 March 2023.

2. Roles and Functions

Essex County Council's (ECC) functions as the Administering Authority are delegated to the Essex Pension Fund Strategy Board (PSB), the Essex Pension Fund Investment Steering Committee (ISC) and its Officers.

The Terms of Reference (TOR) for the PSB, ISC and Essex Pension Fund Advisory Board (PAB) are reviewed periodically as part of the Governance Policy and Compliance Statement and were last reviewed by the PSB at their meeting in December 2022. The TORs can be found within the [ECC Constitution](#).

Essex Pension Fund Strategy Board

The 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 met four times during the period covered by this report, on 06 July 2022, 21 September 2022, 07 December 2022 and 22 March 2023.

Membership

During the period covered by this report the PSB had eleven 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 2023 was as follows:

Essex County Council (7)

Councillor Susan Barker	Chairman
Councillor Mark Platt	Vice Chairman
Councillor Alan Goggin	
Councillor Anthony Hedley	
Councillor Michael Hoy	
Councillor David King	
Councillor Clive Souter	



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District/City/Borough Councils in Essex (1)

Councillor Colin Riley

Castle Point Borough Council

Unitary Councils in Essex (1)

Councillor Stephen George

Southend-on-Sea City Council

Scheme Members (nominated by UNISON) (1)

Mrs Sandra Child

Other Employing Bodies (1)

Mrs Rachel Hadley

Chelmer Housing Partnership

Attendance

Attendance at PSB meetings during 2022/23 was **91%** against a target of **80%**.

Investment Steering Committee (ISC)

The ISC is a sub-Committee of the PSB and its Membership is drawn from the PSB. It is 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's") management of investments including, but not limited to, the approval of the Investment Strategy Statement.

Attendance

Attendance at ISC meetings during 2022/23 was **97%** against a target of **80%**.

Essex Pension Fund Advisory Board (PAB)

The Essex Pension Fund Advisory Board (PAB) has been established as the Local Pensions 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; and
- to secure compliance with requirements imposed in relation to the LGPS by The Pensions Regulator (TPR).

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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 2023 was as follows:

<u>Independent Chairman (1)</u>	
Nicola Mark	Independent Chairman
<u>Scheme Member Representatives (4)</u>	
Andrew Coburn	Pensioner, Ex County Council, UNISON (Vice Chairman)
Debs Hurst	Active Member, Chelmsford College
Stuart Roberts	Active Member, Shenfield High Academy
Christopher Downes	Essex County Council
<u>Employer Representatives (4)</u>	
James Durrant	Essex Police, Fire and Crime Commissioner Fire and Rescue Authority
Councillor L Barber	Essex County Council
Councillor J Duffin (up to 08 September 2022)	
Councillor G Snell (from 25 January 2023)	Thurrock Unitary Council
Councillor Martin Bracken	Chelmsford City Council

Attendance

Attendance at PAB meetings during 2022/23 was **79%** against a target of **80%**.

3. Essex Pension Fund Achievements

Essex Pension Fund was delighted to **win** the **LGPS Investment Strategy of the Year** award at the LAPF Investments Awards 2022, celebrating the best in the LGPS, in recognition of its commitment to achieving its Responsible Investment (RI) and net zero carbon emissions aspirations.



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In addition, in recognition of the effort and commitment shown by the Fund over the past 12 months, Essex Pension Fund was successful in **winning** the 2023 Defined Benefit **Scheme of the Year** Award at the Pensions Age Awards earlier this year. This is a huge honour and an extremely desirable award which is open to both public and private sector pension schemes. To add further context to the significance of this achievement, Essex Pension Fund was the only public sector organisation to win an award in any of the five categories available to enter.



4. Dimensions of the Fund

The value of the Fund as stated with the Fund's unaudited Draft Annual Report and Accounts, as at 31 March 2023, was **£9.669bn** which has reached an all time high when compared to the value reported last year at 31 March 2022 of **£9.646bn**. This shows an increase of **£23m**.

The total value of benefits paid during 2022/23 was **£279m**.

The Fund's 12 month investment performance was above the benchmark by **1.1%**, and over the three years outperforming the benchmark by **2.2%**.

The total number of beneficiaries is as follows:

	2022	2023
Contributors	54,433	59,160
Deferred Members	77,268	72,337
Pensioners	48,121	49,770
Total	179,822	181,267

The PSB exercises on behalf of the Council the management of the Pension Fund whose membership comes from **770** separate active Employing Bodies, including:

- Essex County Council;
- Scheduled Bodies, which are Local Authorities/Academies 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.

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5. Work of the PSB and the ISC

The following key issues were considered by the PSB/ISC between 01 April 2022 and 31 March 2023:

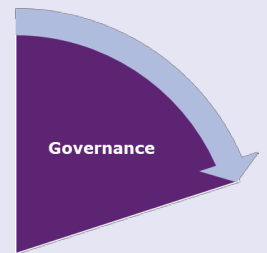
Governance

The Fund reviewed a number of key policies during 2022/23 and revised versions were agreed by the PSB in December 2022.

A larger-scale review of the **Terms of Reference** (TORs) of the ISC, PSB and PAB was undertaken to include remuneration for co-optee Members of the PSB and PAB as well as arrangements for PAB Observer attendance at ACCESS Joint Committee meetings. The revised TORs were agreed by the PSB on 07 December 2022, approved at Full Council on 09 February 2023 and subsequently incorporated into Essex County Council's Constitution.

A light touch review of the **Conflicts of Interest Policy** was undertaken, in collaboration with the Fund's Independent Governance and Administration Adviser (IGAA) and ECC's Monitoring Officer to incorporate minor amendments in line with ECC's Code of Conduct.

As part of its annual workplan, the PAB reviewed the **Communications Policy**. This thorough review allowed the PSB to sign off the policy with confidence. The review brought the policy in line with the stakeholder engagement strategy, reflecting progression in digital communications, accelerated by demand during the pandemic.



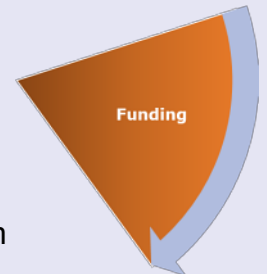
To comply with significant changes in regulation since the introduction of the new LGPS regulations in April 2014, the Statement of Policy on **Administering Authority Discretions** was reviewed. The PSB also adopted the IGAA's recommendation, in view of its technical and operational nature, to delegate future review of this Policy to Fund Officers, unless significant changes are required, necessitating Board approval.

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Funding

This year saw the outcome of the **Actuarial Triennial Valuation**, assessing the value of the Fund as at 31 March 2022. It indicated that the funding level had improved to a small surplus of 102.3% (compared to a small deficit of 97% at 31 March 2019).



The stability reserve introduced following the 2019 valuation was increased from 5% to 15% in anticipation of lower future expected returns, higher than expected inflation and to reflect increased prudence.

Valuation Date	Assets £bn	Liabilities £bn	Surplus/ Deficit £bn	Funding Level %
31 March 19	6.71	6.97	(0.26)	97%
31 March 20 (Interim Review)	6.90	7.17	(0.27)	96.2%
31 March 21 (Interim Review)	8.41	8.52	(0.10)	99%
31 March 22	8.10	7.92	0.18	102.3%

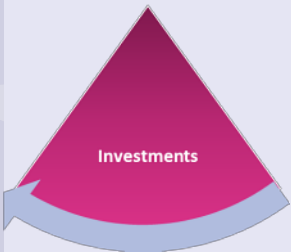
The **Funding Strategy Statement** (FSS) was issued to Members of the PSB, PAB and participating Employers for consultation during December 2022. At its March 2023 meeting, the PSB approved the final version of the FSS, incorporating changes made as a result of the consultation. The FSS was subsequently published alongside the Actuarial Valuation report, on the Fund's website, meeting the statutory deadline of 31 March 2023.

In line with the Fund's objectives to achieve a fully funded position while keeping Employer contribution rates stable and manage Employers' liabilities effectively, a programme of more frequent **Employer Risk Analysis** by Fund Officers was introduced. With **770** active Employers, and significant variance in terms of size and organisational resilience, and given recent economic volatility, Employer risk is now reviewed at every PSB meeting, ensuring that any financial issues are identified and addressed early.

Essex Pension Fund

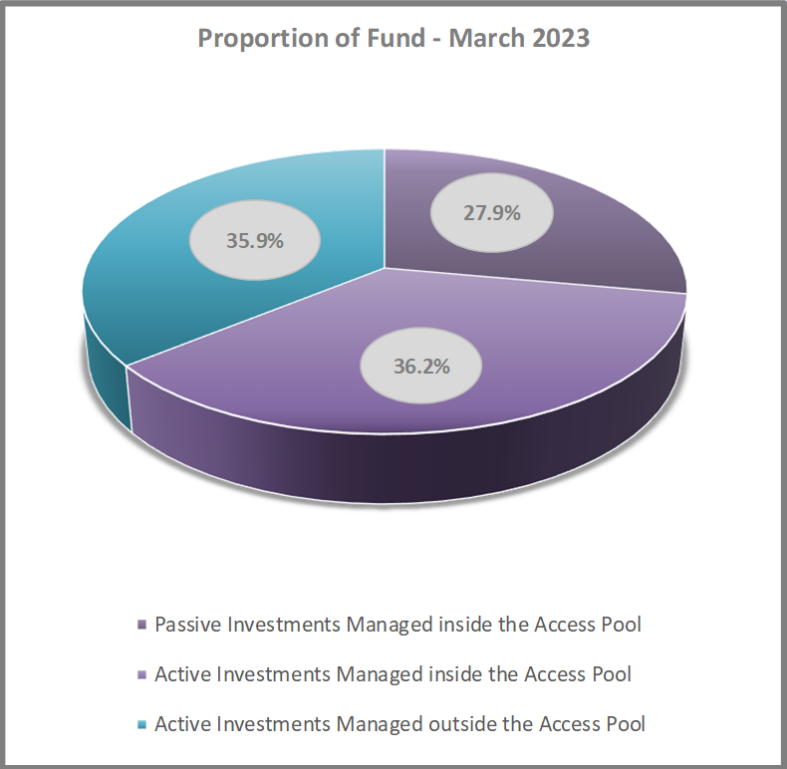
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Asset Pooling



Alongside the ten other Funds within the ACCESS Pool, the Fund continues to progress the pooling of its investment manager arrangements. A further **2** sub funds were launched by ACCESS's Pool Operator during the year 2022/23 with Essex making a commitment to invest within **1** of these new sub funds.

Over **95%** of the Fund's liquid assets have been pooled, the remaining assets are due to be pooled during 2023/24 following the launch of ACCESS's emerging market equity strategy solutions. The proportion of the Fund's assets in and outside of the Pool are as follows:



Investment Strategy and Responsible Investment (RI)

The Fund is committed to being a responsible investor and achieving **Net Zero carbon emissions** by 2050. As part of this commitment, the Fund agreed in its 2021/22 business plan and RI project plan to aspire to become a Financial Reporting Council (**FRC**) **UK Stewardship Code signatory** and made its inaugural submission in April 2022. In September 2022, the FRC published its updated list of signatories and the Essex Pension Fund was one of only nine new UK pension funds to be **successful**.

Essex Pension Fund

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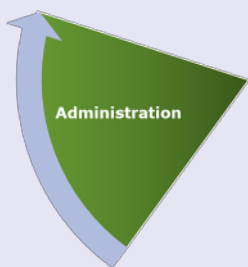
Having identified its RI priorities, and aligning the Fund's mandates to the RI Policy, the Fund partnered with its Institutional Investment Adviser, Hymans Robertson and UBS Asset Management to launch the UBS **Life Global Equity Sustainable Transition Fund**, which is available to the wider UK institutional pensions market. It will invest in companies believed to be best placed for the transition to a low-carbon economy and with better sustainability characteristics than the FTSE Developed Index benchmark. **£1.6bn** was committed to this fund with a further **£900m** committed to the low carbon version of the RAFI fund.

Furthermore, the ISC made a **£100m** anchor commitment to the **Stafford Carbon Offset Opportunity Fund**, further expanding its global timberland portfolio - now equivalent to 816 km², able to sequester the equivalent carbon emitted by over 420,000 cars per year - and accelerating its transition to Net Zero. This commitment now forms part of a wider allocation of **10% (£1bn)** of the Fund directed to **Impact Investing** opportunities.



The continued implementation of the RI project plan has seen the Fund's investment in sustainable timber and renewable energy increase from **9.7%** as at 31 March 2022 to **13.8%** as at 31 March 2023. Direct Investment in fossil fuels has decreased from **0.02%** as at 31 March 2022 to **0.00%** as at 31 March 2023. The Fund now has no direct investments in fossil fuels.

Administration



Following the revision of the Fund's Administration Strategy in 2021/22 which highlighted the move from Annual to **Monthly Returns**, the impact of this was highlighted to all PSB, ISC and PAB Members at the Back to Basics training event held in January 2023. Monthly Returns is where the Fund collects 70 pieces of data from all 770 Employers on all active Scheme Members on a monthly basis (previously annually). The transition to Monthly Returns has largely been **successful** in terms of improving the accuracy and efficiency of data, despite challenges experienced by the Fund. The Fund have continually engaged with and supported **770** Employers who have made the change and are now using this process which has resulted in the receipt of accurate and more timely data. This change alone has led to increased speed and saved the Fund valuable time when producing Annual Benefit Statements to approx. **131,000** active and deferred Scheme Members, whilst also allowing the team to perform various calculations without the need and unnecessary delays which came from the Annual Returns model.

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The Fund continually seeks ways to engage with stakeholders and has introduced webinars which have proved to be a resounding success and very popular. A Retirement Webinar was held on 07 February 2023 with over **750** attendees and feedback on the event was overwhelmingly positive.

The event was also recorded and as at 31 March 2023 the video had **1,185** views on YouTube via the Fund's own dedicated channel. The Fund felt passionately about Employer Roadshows prior to the pandemic, during which time these events had to be put on hold. However, the Fund has begun reaching out again to, and is also being approached by, Employers, with dates now in the diary to attend sites across Essex during 2023/24 to engage, help and support various stakeholders. Fund Officers are also attending Employer Wellbeing events to support them in highlighting the importance of **financial wellbeing** with the first of these events being held at Epping Forest District Council in June 2023.

The Fund continues to grow, both in terms of Scheme Members and Employers, delivering a full range of services to over **180,000** Scheme Members and paying **£22million** each month to over **49,000** Pensioners. In addition, Member Online uptake has increased, with over **36,500** Scheme Members now registered and using this tool regularly which allows them to update and make changes to their personal data, calculate their own estimates and even initiate retirement themselves without the need to contact the team at any stage - although the Fund continues to be on hand to support and guide whenever needed. **Employer Online** is also being used by more and more Employers, who are able to quickly and easily review and update their staff members' details with little to no interaction with the Fund allowing the team to focus on the more complicated cases. The utilisation statistics of both platforms are detailed below:

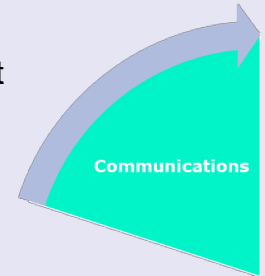
Year End	Members invited to Register for Member Online	Members utilising Member online	Employers register and utilising Employer Online
31 March 2022	87,000 (65% of Membership)	30,000 (take up rate of 34%)	330
31 March 2023	97,000 (72% of Membership)	36,500 (take up rate of 37%)	350

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Communications

The Fund continued to survey stakeholders during 2022/23 following any contact with the Fund which links into the implementation of the Fund's Stakeholder Engagement Strategy. Following a review of the new approach to surveying Stakeholders, the outcome of the review showed that it had been **successful** and has increased the response rate and engagement.



Overall, the Fund received **96%** positive feedback from Scheme Members and **100%** from Employers.

Surveys issued during 2022/23 included:

- Scheme Member Surveys:
 - ◇ Member; Retirements; Beneficiaries; Retirements Webinar; RI Approach; Virtual Pensions Surgery; Active Annual Benefits Statements; and Deferred Annual Benefits Statements.
- Employer Surveys:
 - ◇ Employer; PN11 (Contribution Payments); and Workshop.

In addition, during 2022/23, the PSB, ISC and PAB developed **Pamphlets** to assist in any future recruitment activities including election processes. The Pamphlets outline the different roles and responsibilities of the PSB, ISC and PAB and explains their importance to Scheme Members and Employers. The Pamphlets include personal testimonials from Board and Committee Members, describing the benefits they feel they have derived (both personally and on behalf of the organisations they represent) from Membership on those Boards/Committee. These Pamphlets are now available on the Fund's website and will be used to aid in regard to Boards/Committee vacancies.

The Fund has re-positioned Communications high on the agenda by developing blogs, podcasts and a **Working for Essex microsite**.

Furthermore, the Fund is in the exploration phase for its new **website** which it is hoped will open various communication channels that are not currently accessible to the Fund.



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Other Areas considered by the PSB/ISC at their meetings were:

Investments:

- Investment Manager Monitoring:
 - ◇ Annual Performance Review;
 - ◇ Traffic Light Rating Reports;
 - ◇ CEM Benchmarking Value for Money Review;
 - ◇ Annual Investment Scorecard; and
 - ◇ Investment Tables;
- Strategic Framework
- RI Framework
- Strategic Implementation Framework:
 - ◇ Pillar 1—Implementing and maintaining existing strategic targets within the investment strategic decision framework;
 - ◇ Pillar 2—Evolving existing allocations; and
 - ◇ Pillar 3— Exploring changes to existing or new mandates.
- Capital Markets Outlook;
- ISC Quarterly Report to the PSB;
- Institutional Consultant Review of Competition and Markets Authority (CMA) Strategic Objectives; and
- ACCESS Joint Committee Pooling Updates.

Funding:

- Employer Updates;
- Employer Risk Review; and
- Employer cessation approach.

Administration & Communication:

- EPF consultations responses;
- Fund surveys; and
- Communications policy.

Governance:

- Terms of Reference for PSB, ISC and PAB;
- PSB Annual Report to Full Council;
- PAB Quarterly Report to PSB;
- PAB Annual Report;
- External Audit programme of Work;
- Internal Audit Report 2021/22;
- PAB Scheme Member and Employer representative Recruitment;
- EPF Three-Year Business Plan and 2023/24 Budget;
- Draft Annual Accounts;
- Updates on Pension Fund Activity including;
 - ◇ Business Plan;
 - ◇ Risk Register;
 - ◇ Budget; and
 - ◇ Scorecard; and
- Update on Training Plans.

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Members Training

Members are **dedicated** to their training and development which enables them to continue the effective fulfilment of their roles.

The Fund continues to support 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 II¹ purposes. The Fund adopts the principles and requirements of these, and will strive to achieve those through the use of a two-year rolling **Training Plan** together with regular monitoring and reporting.

The PSB also approved the utilisation of the LGPS Online Learning Academy (**LOLA**) during 2021 to assist the completion of the Two-Year Training Plan. The Training Plan is made up of **28** key areas that Board/Committee Members have agreed to undertake training in and the significant progress up to 31 March 2023 has been illustrated below:

★ 100% completed ★ Partially completed ★ Training to be undertaken

★ 1	★ 2	★ 3	★ 4	★ 5	★ 6	★ 7
The Fund's Governance Structure	Roles of PSB, ISC and PAB	Wider LGPS Landscape	TPR and CIPFA Codes of Practice	Accounts and Audit Regulations	The Fund's Policies and Strategies	Identification of Conflicts of Interest
★ 8	★ 9	★ 10	★ 11	★ 12	★ 13	★ 14
Management of Breaches of the Law	The Fund's 3 rd Party Suppliers	Actuarial Valuation and FSS	Different types of Employer	Discretions and Delegations	Communications of IAS19/FRS102	Main Asset Classes and their role
★ 15	★ 16	★ 17	★ 18	★ 19	★ 20	★ 21
Awareness of Fund's Investment Strategy	Investment Manager Performance	The Fund's Approach to RI	Fund's membership with LAPFF	Cost transparency / CEM Benchmarking	Global Custodian and TM Strategy	Fund's role within the ACCESS Pool
★ 22	★ 23	★ 24	★ 25	★ 26	★ 27	★ 28
CIPFA Pooling Principles and MiFID II	Fund's Administration Strategy	Fund vs Employer Discretions	Regulatory impacts of Wider LGPS	Ambition for Greater Digitalisation	Maintenance of accurate data	Communications Policy

17 areas of Training have been completed (7 was reported last year) and **11** have been partially completed (8 were reported last year).

¹Markets in Financial Instruments Directive (MiFID II) aimed to make financial markets more efficient, resilient and transparent at strengthening the protection of investors.

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Furthermore, PSB, ISC and PAB Members undertake a **Training Needs Analysis** once every two years to determine the areas for further training.

This is supported by a Training Needs Analysis meeting with the Director for Essex Pension Fund and the production of an Individual Training Plan. Fund Officers ensure that training is delivered in a way that complements the activities set out in the Fund's Three-Year Business Plan.



Cllr Susan Barker

Chairman of the PSB and of the ISC

Vice Chairman of ACCESS Joint Committee
Essex County Council

Essex Pension Fund

