

Essex Pension Fund Investment Steering Committee	AGENDA ITEM 3
Date: 18 July 2018	

Review of the Fund's Governance and Compliance Statement.

Report by the Independent Governance & Administration Adviser

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1. Purpose of the Report

- 1.1 For members of the Investment Steering Committee ("ISC") to agree the proposed revisions to their Terms of Reference contained in this report. The revised Terms of Reference will then form part of the Fund's Governance and Compliance Statement.

2. Recommendations

- 2.1 That the ISC agrees the revised Terms of Reference at paragraph 5 should be taken for formal ratification to a future meeting of the Full Council.
- 2.2 That the ISC offers any wider comments on the draft Governance Compliance Statement as set out in the Annex A to this paper.

3. Background

3.1 Under the Local Government Pension Scheme Regulations, each Pension Fund Administering Authority is required to produce and keep under review a Governance Policy detailing the following:

- whether the authority delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- if it does so -
 - the terms, structure and operational procedures of the delegation,
 - the frequency of any committee or sub-committee meetings,
 - whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights.

4. Review of the Governance Compliance Statement

4.1 It was agreed at the Essex Pension Fund Strategy Board (“PSB”) of 7 March 2018 that the Independent Governance and Administration Adviser and the Fund’s officers carry out a review of the Governance Compliance Statement in order to ensure it remains up to date and relevant.

4.2 Input was sought from the Essex Pension Fund Advisory Board on 1 June 2018. This is appropriate given the PAB’s role of assisting in the good governance of the Essex Pension Fund.

4.3 Further comment was sought from the PSB on 4 June 2018.

4.4 The purpose of bringing the Governance and Compliance Statement before the ISC is because the terms of reference for the ISC will change as a consequence of pooling. Once these changes to the ISC’s terms of reference have been made they will be reflected in the Governance Compliance Statement.

5. Investment Steering Committee Terms of reference

5.1 The proposed Terms of Reference for the ISC are shown below, with changes to the existing Terms highlighted in red;

- i. to approve and annually review the content of the Investment Strategy Statement;
- ii. to monitor compliance of the investment arrangements with the Investment Strategy Statement;
- iii. to approve and review the asset allocation benchmark for the Fund;

- iv. to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;
- v. to appoint and review Investment Managers, Custodian and Advisors;
- vi. to ~~agree appropriate set the~~ investment parameters within which the Fund ~~will invest with~~ Investment Managers/~~mandates can operate~~ and review these annually;
- vii. to assess the quality and performance of each Investment Manager/~~mandate~~ annually in conjunction with investment advisers and the Section 151 Officer;
- viii. to approve and to review annually the content of the Pension Fund Treasury Management Strategy;
- ix. to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board;
- x. to appoint annually a representative to sit on the ACCESS Joint Committee; and
- xi. to engage with, and receive reports from, the Joint Committee in order to ensure the delivery of the Fund's investment strategy.

6. Rationale for the changes

- 6.1 The proposed changes to the existing Terms of Reference have been designed not to be overly detailed or prescriptive. They recognise that, for some time to come, the Fund will continue to appoint investment managers while at the same time investing through the ACCESS Pool.

7. Link to the Essex Pension Fund Objectives

- 7.1 This paper has relevance to the following Fund objectives:
- 7.2 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise.
- 7.3 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.
- 7.4 Understand and monitor risk and compliance.

8. Risk Implications

- 8.1 Failure to carry out a review of the Governance Compliance Statement may result in the Fund failing to achieve its governance objectives.

9. Communication Implications

- 9.1 The Policy will be published on the Fund's website and will appear in the 2018/19 Pension Fund Report and Accounts.

10. Finance and Resources Implications

- 10.1 If agreed, this recommendation will require officer support.

11. Background Papers

- 11.1 ECC Constitution.