



Essex County Council

# Essex Pension Fund Strategy Board

<b>10:00</b>	<b>Wednesday, 17 March 2021</b>	<b>Online Meeting,</b>
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The meeting will be open to the public via telephone or online. Details about this are on the next page. Please do not attend County Hall as no one connected with this meeting will be present.

**For information about the meeting please ask for:**

Amanda Crawford, Compliance Manager

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**Email:** [Amanda.crawford@essex.gov.uk](mailto:Amanda.crawford@essex.gov.uk)

## Essex County Council and Committees Information

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

In accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting will be held via online video conferencing.

Members of the public will be able to view and listen to any items on the agenda unless the Committee has resolved to exclude the press and public from the meeting as a result of the likely disclosure of exempt information as defined by Schedule 12A to the Local Government Act 1972.

### How to take part in/watch the meeting:

**Participants:** (Officers and Members) will have received a personal email with their login details for the meeting. Contact the Compliance Team if you have not received your login.

### Members of the public:

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Please note that an audio recording may be made of the meeting – at the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

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	To receive a report from the Compliance Manager	
2	<b>Minutes of Essex Pension Fund Strategy Board (PSB) Meeting 16 December 2020</b>	9 - 20
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3	<b>Update on Pension Fund Activity</b>	
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<b>7a</b>	<b>Investment Steering Committee (ISC) Quarterly Report</b>	<b>183 - 188</b>
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<b>8</b>	<b>Schedule of Future Meetings and Events</b>	<b>231 - 234</b>
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	To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.	

### **Exempt Items**

((During consideration of these items the meeting is not likely to be open to the press and public))

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

**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.**

### **10 Pooling Update**

To receive a presentation from the Interim Director for Essex Pension Fund



**11      Employer Update - Retail Price Index (RPI) Reform and Flexibilities**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**12      Fund Actuary - Contractual Arrangements**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**13      Urgent Exempt Business**

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 01</b>
<b>Date: 17 March 2021</b>	

## **Essex Pension Fund Strategy Board (PSB) Membership, Apologies and Declarations of Interest**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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### **1. Purpose of the Report**

- 1.1 To present Membership, Apologies and Declarations of Interest for the 17 March 2021 PSB.

### **2. Recommendation**

- 2.1 That the Board should note:

- Membership as shown overleaf;
- Apologies and substitutions; and
- Declarations of Interest to be made by Members in accordance with the Members' Code of Conduct and the Essex Pension Fund's Conflict of Interest Policy.

### **3. Membership**

(Quorum: 4)

11 members consisting of:

- seven Members of the Council;
- one Member representing District, City and Borough Councils in Essex;
- one Member representing Unitary Councils in Essex;
- one Member representing Scheme Members nominated by Unison; and
- one Member representing Other Employing Bodies nominated by the Employer Forum.

<b>Membership</b>	<b>Representing</b>
Councillor S Barker	Essex County Council (Chairman)
Councillor M Platt	Essex County Council (Vice Chairman)
Councillor A Goggin	Essex County Council
Councillor A Hedley	Essex County Council
Councillor M Maddocks*	Essex County Council
Councillor C Souter	Essex County Council
Councillor L Scordis	Essex County Council
Councillor M Dent	Southend-on-Sea Borough Council
Rachel Hadley	Other Employing Bodies
Councillor C Riley	Castle Point Borough Council
Sandra Child	Scheme Members

*\*Non-Aligned Group have indicated that they do not wish to take their place on this Committee, so it is for the Council to decide the allocation. The Conservative Group, as the majority Group, have indicated that they wish to take the vacancy.*

## Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held at 10:00am as an online video conference on 16 December 2020

### 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 L Scordis	Left 10:30am
Cllr C Souter	
Cllr M Maddocks	

#### District/Borough Councils in Essex Representatives

Cllr M Dent	Southend-on-Sea Borough Council	
Cllr C Riley	Castle Point Borough Council	Arrived 10:08am Part I only

#### Scheme Member Representative

Sandra Child (UNISON)

#### Other Employing Bodies Representative

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

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Daniel Chessell	Retirement Manager
Sara Maxey	Employer Manager
David Tucker	Technical Hub Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Karen McWilliam	Independent Governance & Administration Adviser (IGAA), AON
Graeme Muir	Barnet Waddingham, Fund's Actuary

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

Cllr M Bracken	Employer Representative
James Durrant	Employer Representative
Andrew Coburn	Scheme Member Representative (UNISON)
Debs Hurst	Scheme Member Representative
Stuart Roberts	Scheme Member Representative

It was also noted that Substitute Member Cllr M Durham was also in attendance as an Observer.

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

### **Opening Remarks**

The Chairman welcomed Karen McWilliam (IGAA), Graeme Muir (Fund Actuary), Cllr M Durham and PAB Members: Cllr M Bracken; James Durrant; Andrew Coburn; Debs Hurst; and Stuart Roberts to the meeting.

The Secretariat outlined to Members the protocol on how the virtual meeting would be conducted.

### **Apologies for Absence**

It was noted that PAB Members Nicola Mark, Cllr S Hebb, Cllr S Walsh and James Sheehy were unable to attend the meeting.

### **Declarations of Interest**

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS. Cllr S Barker also declared she is an ECC Cabinet Member and sits on the Foreign Travel Committee;

Cllr M Platt declared he is the Deputy Cabinet Member for Environment & Climate Change Action and is Vice Chairman of the Audit, Governance and Standards Committee;

Cllr A Goggin declared that his wife, sister and brother-in-law were 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 M Maddocks, Cllr C Riley and Sandra Child declared they were in receipt of an Essex LGPS Pension; and

Rachel Hadley declared she was the HR Director of Chelmer Housing Partnership.

**Resolved:**

The Board noted the report and update.

**2. Minutes of PSB meeting 23 September 2020**

The Chairman raised under Item 7 that the Minutes should read ‘the Fund Officers on their excellent work’. As this was only a minor amendment, the minutes of the meeting of the PSB held on 23 September 2020 were approved as a correct record and signed by the Chairman.

Matters Arising. It was noted:

- that the Task and Finish Group have concluded their review of the Annual Surveys and the outcome along with the revised communication scorecard measures will be brought to the March 2021 meeting;
- that the further details relating to the Digital Journey of the Fund had been provided at the 11 November 2020 Training Day;
- the Essex Pension Fund Annual Report went to Full Council on 13 October 2020;
- the PAB Annual Report was published on the Fund’s website, provided to the Scheme Advisory Board and published within the Fund’s Annual Report and Accounts; and
- the Funding Strategy Statement was published after the meeting with the inclusion of the Exit Credits Policy.

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

**3. Government Consultations**

The Technical Hub Manager provided the Board with a report and shared the final responses to two Government Consultations:

- Amendments to the statutory underpin; and
- Reforming local government exit pay.

At the last meeting it was agreed that the Chairman and Vice Chairman of the Board would agree the submissions utilising the Out of Committee Decision Making process.

Following a meeting held on the 06 October 2020 with the Chairman, Vice Chairman and Cllr's Dent and Hedley who had expressed an interest in this consultation, the response in respect of the amendments to Statutory underpin was sent to the Ministry of Housing, Communities and Local Government (MHCLG) on 06 October 2020.

The response to the "Reforming local government exit pay" was submitted to MHCLG on 30 October 2020, following confirmation of approval from the Chairman and Vice Chairman.

It was also noted that the draft regulations were issued after the main consultation documents and have a later closing date of 18 December 2020. The LGPS Scheme Advisory Board has already submitted a response to the draft regulations and Fund Officers are satisfied that response addresses all of the technical issues identified. The Board were also advised that Her Majesty's Treasury (HMT) had gone ahead and introduced the exit payment cap legislation which now conflicts with current LGPS regulations.

**Resolved:**

The Board noted:

- the Fund's final response to the consultation 'Amendments to the statutory underpin';
- the Fund's final response to the consultation 'Reforming local government exit pay'; and
- the update provided on reforming local government exit pay.

**4. Update on Pension Fund Activity**

The Compliance Manager provided the Board with an update on progress in relation to the Business Plan, Budget, Scorecard and Risk Register.

Of the forty-two priorities highlighted in the Business Plan, the Board noted that twenty-five were in progress, eleven were completed, four were not yet due to start and two were not applicable for this current year.

It was noted that there was a negligible underspend against the 2020/21 Budget, but overall, on track for the financial year.

The Fund's achievement against the scorecard measures was discussed by exception.

The Board also noted the inclusion of the Investment measures following agreement from the Investment Steering Committee (ISC) at their 21 October 2020 meeting. It was further noted that the Communications measures will be developed following the review of the Fund's Annual Surveys and would be brought to the 17 March 2021 meeting for approval.



A Risk Management Update report was provided detailing the current risk scores against those reported at the previous meeting. It was highlighted that risks are continually monitored and reassessed as and when required with key risks being reviewed more regularly due to the Covid-19 pandemic. It was also confirmed that no new risks have been identified and risk ratings remain unchanged since the last meeting.

**Resolved:**

The Board noted the update on Pension Fund Activity.

**5. External Audit Completion Report 2019/20**

The Board received a report from the Investment Manager detailing BDO LLP's Audit Completion Report in relation to the 2019/20 external audit of the Essex Pension Fund.

Members were reminded that due to pressures on local authorities to respond to the Covid-19 pandemic, the Government had extended the 2019/20 financial year timetable in which draft accounts must be presented to external audit to 31 August (previously 31 May 2020), and for published audited accounts to 30 November 2020 (previously 31 July 2020).

Due to delays in completing the Essex County Council audit, BDO were not able to provide the Completion Report for the Fund until the 30 November 2020, the revised statutory deadline. The Fund were issued with an unqualified opinion and the accounts subsequently approved and published later that evening.

It was confirmed that the Fund's Annual Report & Accounts were provided with an unqualified consistency opinion, signed off and published on the Essex Pension Fund website by the statutory deadline of 01 December 2020.

The Board discussed the issues relating to the delays caused by BDO and the impact this had on Fund Officers.

**Action:**

The Chairman took an action to discuss the Board's concerns with ECC's Monitoring Officer and S151 Officer on BDO's ability to deliver on the completion of the audit on time next year.

**Resolved:**

The Board noted the content of the report.

**6. Essex Pension Fund (EPF) Policies**

The Compliance Manager provided the Board with an update in relation to Fund Policies and the timeline regarding those which had been approved to

date and those which were due for completion by the end of the Financial Year.

Members were presented with the revised Knowledge and Skills Strategy for Board/Committee Members, along with the Training Plan.

The Board were informed that the next steps regarding the Training Plan delivery was the completion of the Training Needs Analysis questionnaire to help form their individual training plans.

The Chairman requested if Substitutes could be included consistently throughout the document and it was agreed that this would be checked prior to publication.

The Compliance Manager informed the Board that the annual review of the Governance Policy and Compliance Statement (GP&CS) would be brought to their 17 March 2021 meeting. However, Members were reminded that MHCLG should be issuing guidance on a revised format in the New Year which may impact the timeline.

The Board were then invited to review the full Risk Register as part of the Annual Review as stipulated within the Fund's Risk Strategy. The Board were advised that:

- the Risk Register is reviewed regularly by the Fund's Management Team;
- no new risks have been added this Financial Year;
- mitigations are revised and updated to include new requirements throughout the year; and
- the next full review by the Board would be scheduled for the December 2021 meeting.

The Board reviewed the Risk Register and the Chairman asked for any further comments to be provided to Officers by week ending 18 December 2020. The Chairman also asked Officers to review the requirement for staff wellbeing to be included as a separate risk as this is at the forefront of Essex County Council's agenda throughout the Covid-19 pandemic. Officers agreed to review this requirement.

**Resolved:**

The Board:

- **approved** the Knowledge and Skills Strategy and Training Plan;
- noted the outcome of the 11 November Training Day;
- noted the progress to date in regard to the review of the GP&CS; and
- reviewed the full Risk Register and agreed it would be passed to the PAB for noting.

## **7. Quarterly Reports**

### **7a. Investment Steering Committee (ISC) Quarterly Update**

The Investment Manager provided the Board with a report which detailed the ISC activity since the previous Board meeting.

It was confirmed that the ISC had met on one occasion on 21 October 2020 where the Committee received a presentation from Aviva Investors, the Fund's UK property manager, in relation to a review of the Fund's property mandate and a further presentation from the Interim Director of the ACCESS Support Unit updating the Committee on ACCESS's latest developments.

The other main areas of business discussed were:

- the outcome of the Investment Strategy Statement (ISS) stakeholder consultation and subsequent approval;
- the agreement to become a signatory of the new Financial Reporting Council's UK Stewardship Code by March 2022;
- the agreement to procure an additional direct lending manager to manage 2.5% of the Fund's mandate;
- to proceed with the second tranche to further trim Baillie Gifford's overweight position;
- the approval of Investment specific Scorecard Measures to be included within an ISC specific Scorecard to form part of the ISC Annual Performance Review;
- the approval of the revised Investment Scorecard Measures to be included within the PSB Scorecard;
- the agreement to the proposed changes within the Operator Agreement;
- the review of the Inter-Authority Agreement (IAA) process;
- a report summarising Investment Manager performance for the quarter ended 30 June 2020; and
- an update in regard to the procurement of the Independent Investment Adviser.

**Resolved:**

The Board noted the report.

### **7b. Essex Pension Fund Advisory Board (PAB) Quarterly**

Members were provided with an update on PAB activity since the last Board meeting. It was confirmed that the PAB had met on one occasion on 23 September 2020.

The main areas of business discussed by the PAB were:

- the PAB Terms of Reference (TOR);
- the re-appointment of Andrew Coburn as Vice Chairman of the PAB;
- the PAB Annual Report;
- the noting of the ISS;
- an update in regard to the Fund's Business Continuity arrangements;
- a summary of two external events that the Vice Chairman had attended in his role as PAB Member; and
- the establishment of the Task and Finish Group to review the Fund's Annual Surveys as recommended by the Board.

The Chairman expressed her gratitude to Andrew for stepping up as Chairman of the PAB during the last year.

**Resolved:**

The Board noted the report.

**8. 2020 Actuarial Interim Review**

The results of the 2020 Actuarial Interim Review were presented to the Board by Graeme Muir, the Fund's Actuary from Barnett Waddingham.

It was noted that the Funding level had marginally declined from 97% as at 31 March 2019 to 96.2% as at 31 March 2020, less of a fall than was perhaps expected due to the actuarial smoothing model used, protecting the Fund from the impact of the market volatility experienced in late March at the start of the Covid-19 pandemic.

The Actuary advised at the last Valuation the Fund's introduction of a 5% Asset Shock Reserve, had been instrumental in enabling contributions to remain stable.

**Resolved:**

The Board noted:

- the 31 March 2020 Interim Review; and
- that no changes are required to the Essex Pension Fund's Funding Strategy.

**9. Schedule of Future Meetings and Events**

The Board received a report from the Compliance Manager detailing the remaining planned Board meetings for this municipal year.

In addition, the Board agreed the schedule of meetings for the forthcoming municipal year 2021/22 as follows:

Pension Strategy Board

07 July 2021 10am - 1pm

22 September 2021 10am - 1pm

15 December 2021 10am - 1pm  
23 March 2022 10am - 1pm

Investment Steering Committee

16 June 2021 10am - 4pm  
13 October 2021 10am - 1pm  
24 November 2021 10am - 4pm  
23 February 2022 10am - 1pm

Pension Advisory Board

07 July 2021 2pm - 4pm  
22 September 2021 2pm - 4pm  
15 December 2021 2pm - 4pm  
23 March 2022 2pm - 4pm

Training Days

To be confirmed

The Interim Director for Essex Pension Fund explained that the current arrangements, with the Board meetings at 10am followed by the PAB meetings at 2pm on the same day, would be further reviewed in 12 months' time as it was felt that the effectiveness of these arrangements had not been tested in full due to the virtual nature of the Boards/Committee meetings since July 2020.

**Resolved:**

The Board **agreed:**

- the dates for the next municipal year; and
- the extension of the current meeting arrangements for a further 12 months.

The Board noted the remaining meetings for 2020/21 and the content of the report.

**10. Urgent Part I Business**

There were none.

**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.

The Chairman informed Members that the meeting would reconvene at 11:25am following a short adjournment.

The meeting was adjourned at 11:17am.

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The Board reconvened at 11:25am.

**Opening Remarks**

The Chairman welcomed back the Board and Observers and the Secretariat outlined to Members the protocol on how the meeting would be conducted.

**11. Essex Pension Fund Advisory Board – Independent Chairman Arrangements**

The Interim Director for Essex Pension Fund updated the Board on the Term of Office for the Chairman of the PAB.

The Appointment's Panel initially met on 28 October 2019 and agreed to extend the Chairman's term, for a year taking it to 31 March 2021. Although a letter offering the extension of appointment was drafted, Fund Officers, in consultation with the Chairman of the PSB, did not issue the letter due to notification that Nicola Mark had become unwell.

The Appointment's Panel further met on 01 December 2020 to discuss the appointment in line with the PAB TOR to establish if any further extensions could be offered. It was established that under the TOR the maximum term of office was six years taking it to July 2021 with the discretion to further extend for an additional six months. It was therefore agreed that Nicola Mark should be offered the maximum extension with her term of office now ceasing January 2022.

Fund Officers were pleased to report that Nicola is recovering well from her illness and will resume her Chairmanship from 01 January 2021.

**Resolved:**

The Board noted the decisions made by the Appointments Panel.

## **12. Employer Manager Update**

### **12a. Employer Update**

The Board received an update from the Employer Manager in regard to two Employers that have gone into liquidation.

It was explained that Fund Officers were working with the Actuary to finalise the Employers positions in question and would provide an update at the next Board meeting.

Members were also updated on the introduction in September 2020 of Flexibility options within the LGPS Regulations for funds to help manage employer changes and assist smaller employers when leaving the LGPS. These flexibilities are optional for funds and are not a statutory requirement.

It was noted that Fund Officers would prepare policies and bring them back to the Board for approval when final Statutory Guidance has been issued.

**Resolved:**

The Board noted the content of the report.

### **12b. Employer Ill Health and Death in Service Policy**

A draft Employer Ill Health and Death in Service Policy was provided to the Board for their approval.

Members were advised that the draft Policy had been issued to all Employers for a two-week consultation period as agreed by the Chairman and Vice Chairman of the Board.

It was further explained that ten responses were received and in the main were positive towards the introduction of this Policy, clarifications were also provided where required.

The Board were advised that the implementation date was retrospective from 01 April 2020 to coincide with the Actuarial Valuation. The Fund's Actuary will monitor the ill health and deaths initially on a six-monthly basis moving to annually after the first year if appropriate. In addition, this Policy would be reviewed as part of the next Triennial Valuation.

**Resolved:**

The Board **approved** the Employers Ill Health and Death Policy and noted the content of the report.

**13. Pooling Update**

The Interim Director for Essex Pension Fund provided the Board with an update from the 07 September 2020 ACCESS Joint Committee (AJC) meeting.

It was explained that the AJC recommended the eleven Funds of ACCESS to agree to three recommendations in regard to the Operator Agreement, these were agreed by the ISC at their 21 October 2020 meeting.

Members were also reminded that the AJC packs would be issued to all Boards/Committee Members electronically prior to their meetings as agreed by the ISC.

A latest position was also given regarding the revised Inter-Authority Agreement which had been reviewed by all eleven Funds Monitoring Officers, it was noted that it was approved by ECC Full Council on 08 December 2020.

**Resolved:**

The Board noted the update.

**14. Urgent Exempt Business**

There were none.

**15. Closing Remarks**

There being no further business, the Chairman wished everyone a Merry Christmas and the meeting closed at 12:03pm.

**Chairman**  
**17 March 2021**



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 03a</b>
<b>Date: 17 March 2021</b>	

## **Update on Pension Fund Activity : Quarterly Update Report**

Report by the Compliance Manager

Enquiries to Amanda Crawford 03330 321763

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### **1. Purpose of the Report**

1.1 To provide the Board with the latest Pension Fund Activity Report on:

- 2020/21 Business Plan;
- Budget;
- Scorecard as at 28 February 2021; and
- Risk Management.

### **2. Recommendations**

2.1 That the Board note the latest Pension Fund Activity Report.

### 3. Latest Position

- 3.1 The latest Pension Fund Activity Report at Appendix A outlines the progress to date against the Fund's 2020/21 Business Plan and Budget, Scorecard and Risk Management.

### 4. Key developments to note

#### Business Plan

- 4.1 The Business Plan update can be found in Section A to this report. A summary of progress to date is shown in the table below:

Function	Total	Complete	In Progress	Delayed	Not due to start	N/A
Governance	10	8 (3)	2 (5)	0 (0)	0 (2)	0 (0)
Funding	6	4 (3)	0 (1)	0 (0)	0 (0)	2 (2)
Investments	11	9 (2)	2 (8)	0 (0)	0 (1)	0 (0)
Admin	9	8 (2)	0 (6)	0 (0)	0 (1)	1 (0)
Comms	6	6 (1)	0 (5)	0 (0)	0 (0)	0 (0)
Total	42	35	4	0	0	3

The numbers in brackets represents the progress reported at the 16 December 2020 meeting.

- 4.2 The 4 'in progress' activities will become green by the 31 March 2021.

#### Budget

- 4.3 The 2020/21 Budget vs Forecast is shown in Section B to this report.

#### Scorecard

- 4.4 The Scorecard Exception report can be found at Section C to this report.

#### Risk Management

- 4.5 The Risk Management report has been provided at Section D to this report.

- 4.6 The Fund's Risk Register is monitored and updated on a regular basis as part of business as usual, with some key risks being reviewed more regularly due to the impact of the Covid-19 pandemic.
- 4.7 One risk score has changed since the last meeting in regard to knowledge and expertise of the PSB and ISC Members due to the pending local elections.
- 4.8 No new risks have been identified since the last meeting however further mitigations have been added in regard to Risk G4 "Failure of Officers to maintain sufficient level of competence and/or resource to discharge their duties and inefficient retention of staff with over reliance on key officers". The added mitigations are in relation to the monitoring of EPF Staff wellbeing and the inclusion of EPF within the ECC Wellbeing Strategy.

## **5. Link to Essex Pension Fund Objectives**

- 5.1 Monitoring Pension Fund activity via the Business Plan, Risks and Scorecard assists the Fund in achieving all of its objectives, and in particular to:
- provide a high-quality service whilst maintaining value for money;
  - understand and monitor risk and compliance; and
  - continually measure and monitor success against our objectives.

## **6. Risk Implications**

- 6.1 Key risks are identified at Section D within the Risk Management section of the report.

## **7. Communication Implications**

- 7.1 Other than ongoing reporting to the Board, there are no communication implications.

## **8. Finance and Resources Implications**

- 8.1 To deliver the activities outlined in the Business Plan for 2020/21 a Budget of £4.62m has been approved which includes an operational internal budget of £3.31m and a budget allocation for third party provider support/advice of £1.31m. This will be periodically kept under review.

## **9. Background Papers**

- 9.1 Update on Pension Fund Activity, PSB 04, 16 December 2020.
- 9.2 Update on Pension Fund Activity, PSB 06, 23 September 2020.

# Essex Pension Fund

## Update on Pension Fund Activity

### Agenda Item 03.A



#### Contents:

Section A: Business Plan Progress Update  
Section B: Budget vs Forecast Update  
Section C: Scorecard Update  
Section D: Risk Management

# Essex Pension Fund

## Section A

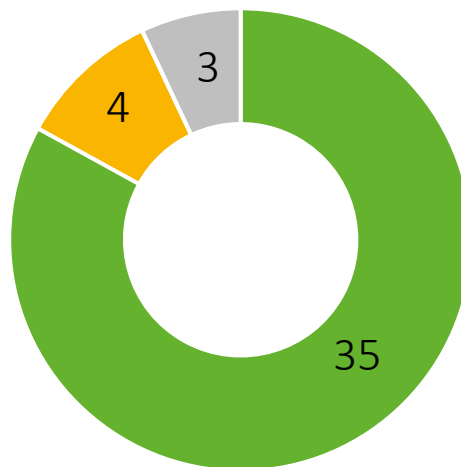
# 2020/21 Business Plan Progress Update

March 2021



# Strategic BAU & Key Priorities

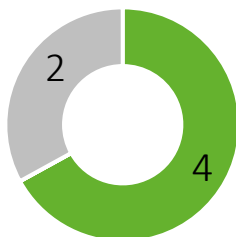
Essex Pension Fund



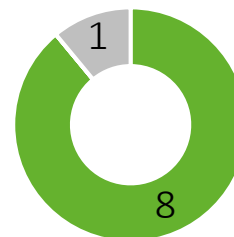
Of 42 Priorities

■ Completed ■ In Progress ■ Delayed ■ Not due to start ■ Not Applicable

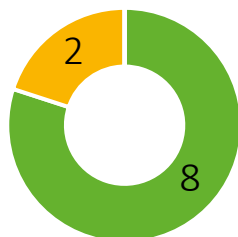
Funding



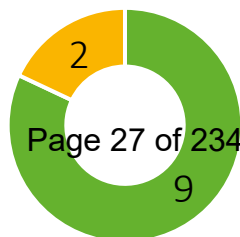
Administration



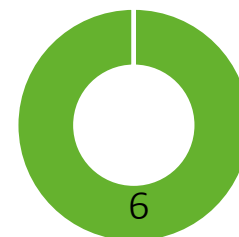
Governance



Investments



Communications



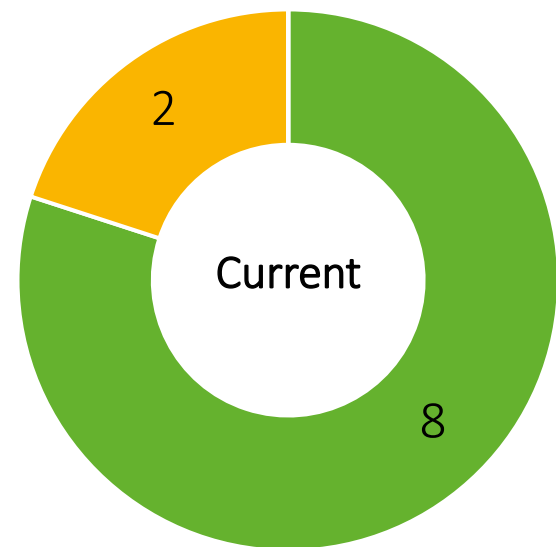
# 1. Progress - Governance

Strategic BAU & Key Priorities	P	C	CF
1. Agree 2021/22 Business Plan & Budget			Y
2. Development & Implementation of Risk Management Strategy			N
3. LGPS Reform			Y
4. Implementation of Members' knowledge and understanding • Training Needs Analysis • Review the revised Training Strategy (Knowledge & Skills)			Y
5. Development of Business Continuity Policy, Plan (including Cyber security) and Testing			Y
6. Commencement of Governance Review and Effectiveness Survey			Y
7. Annual Review of Governance related Policies including the Governance Policy and Compliance Statement			N
8. Annual Statement of Accounts including compliance with CIPFA requirements			Y
9. Annual review of Terms of Reference for PSB/ISC/PAB			Y
10. Development & Implementation of Breaches Policy			N
NEW: Independent Governance & Administration Adviser (IGAA) Review			
NEW: AVC Review			
NEW: Development of Stakeholder Strategy			

P – Previous  
C – Current  
CF – Carried Forward



Strategic BAU & Key Priorities




■ Completed  
■ Delayed  
■ Not Applicable  
■ In Progress  
■ Not due to start



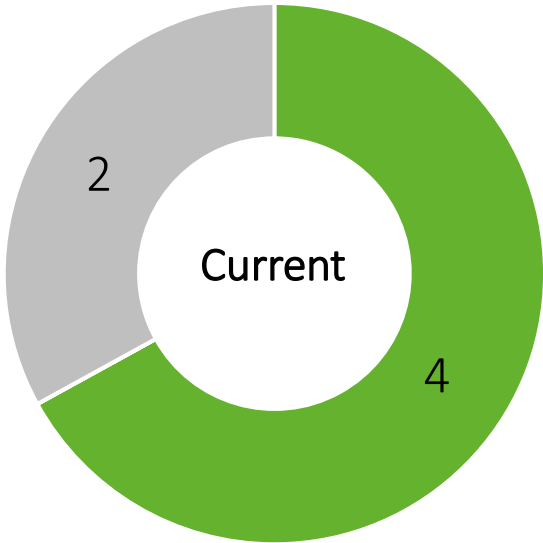
# 2. Progress - Funding

P – Previous  
C – Current  
CF – Carried Forward



Strategic BAU & Key Priorities	P	C	CF
1. Implementation of the outcome of the Actuarial Valuation in line with the Fund’s Funding Strategy Statement			N
2. Annual Interim Funding review			Y
3. Funding Strategy Statement review			Y
4. Employing Authority discretions and delegations review			Y
5. Employer Risk review			Y
6. Undertake Interim review of the Fund’s Actuary			N
NEW: McCloud Preparation/Implementation			
NEW: Implementation of Employer Training Webinars			

Strategic BAU & Key Priorities



- Completed

Delayed

Not Applicable

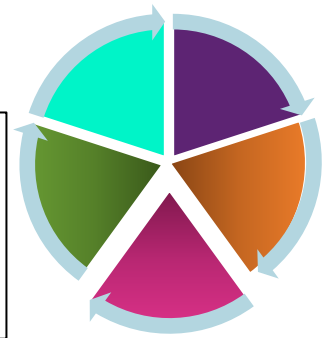
In Progress

Not due to start

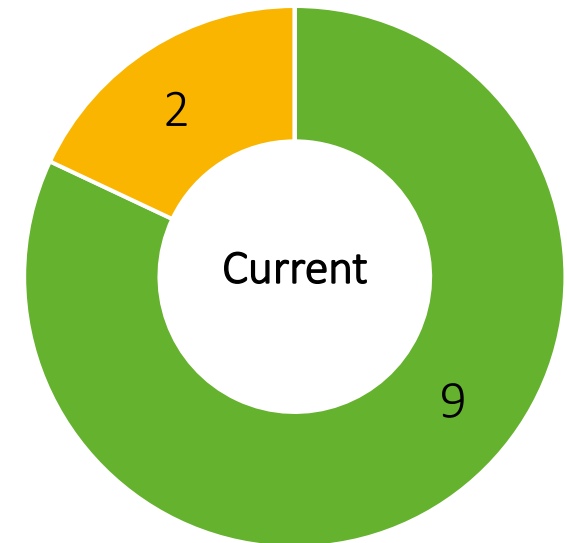
# 3. Progress - Investments

Strategic BAU & Key Priorities	P	C	CF
1. Strategic Asset Allocation review			Y
2. Commencement of Institutional Investment Consultant procurement			Y
3. Institutional Investment Consultant – CMA review			Y
4. Implementation of Independent Investment Adviser procurement			N
5. Commencement of Global Custody procurement			Y
6. Asset/Liability Study			N
7. Investment Strategy Statement review including Responsible Investment (RI) Policy			N
8. 2021/22 Treasury Management Strategy review			Y
9. ACCESS collaboration			Y
10. Individual Manager review			Y
11. Review of CEM Benchmarking / Cost Transparency			Y
NEW: Become signatory of the 2020 FRC UK Stewardship Code			
NEW: Investment Managers Engagement Strategy			
NEW: Annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy			
NEW: Climate Change Policy Objectives and Metrics			
NEW: External RI Adviser Exploration			

P – Previous  
C – Current  
CF – Carried Forward



Strategic BAU & Key Priorities



■ Completed  
■ In Progress  
■ Delayed  
■ Not due to start  
■ Not Applicable

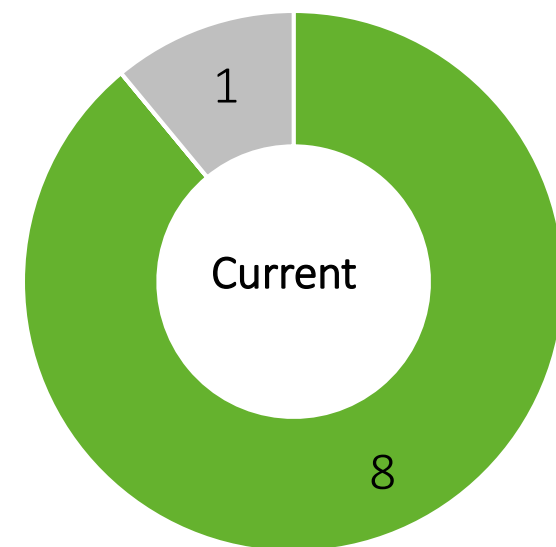
# 4. Progress - Administration



P – Previous  
C – Current  
CF – Carried Forward

Strategic BAU & Key Priorities	P	C	CF
1. LGPS Reform – Planning for Administration changes: <ul style="list-style-type: none"> <li>Unpausing of Cost Cap</li> <li>£95k Cap</li> <li>Goodwin</li> </ul>			Y
2. Review/Procure a Administration System Provider			N
3. Review and implementation of Pensions Single Payments provider			Y
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online			Y
5. McCloud Preparation / Implementation			Y
6. Development of Monthly Returns Digital Transformation			Y
7. Data Improvement Plan			Y
8. Participation in National Fraud Initiative			N
9. Monthly Bulk Leaver / Retire Online development/implementation			N

Strategic BAU & Key Priorities



■ Completed  
■ Delayed  
■ Not Applicable  
■ In Progress  
■ Not due to start

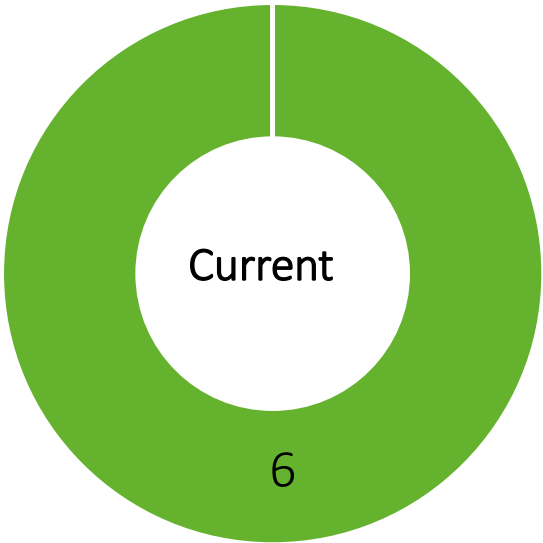
# 5. Progress - Communications

P – Previous  
C – Current  
CF – Carried Forward



Strategic BAU & Key Priorities	P	C	CF
1. LGPS Reform: <ul style="list-style-type: none"> <li>Unpausing of Cost Cap</li> <li>£95k Cap</li> <li>Goodwin</li> </ul>			Y
2. Greater Digitalisation of the Fund including the exploration of Electronic Communications therein			Y
3. McCloud Implications			Y
4. Social Media Channel Exploration			Y
5. Commencement of the Website review			Y
6. Annual Benefit Statements review and development			Y
NEW: Stakeholder Strategy			

Strategic BAU & Key Priorities

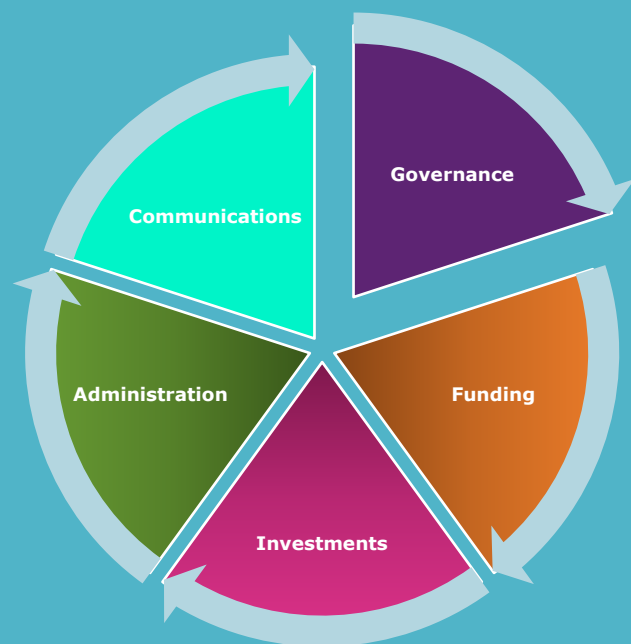


Completed  
Delayed  
Not Applicable

In Progress  
Not due to start

# Commentary

## 1. Governance



Strategic BAU & Key Priorities		Commentary
1. Agree 2021/22 Business Plan & Budget		The 2021/22 Business Plan & Budget process has commenced. The draft 2021/22 to 2023/24 Business Plan and 2021/22 Budget are provided as part of Agenda Item 04.A of this pack for the Boards approval.
2. Development & Implementation of Risk Management Strategy		Complete.
3. LGPS Reform		Complete for 2020/21.
4. Implementation of Members' knowledge and understanding <ul style="list-style-type: none"> <li>• Training Needs Analysis</li> <li>• Review the revised Training Strategy (Knowledge &amp; Skills)</li> </ul>		The new Knowledge and Skills Strategy and Training Plan was approved by the Board at their 16 December 2020 meeting. The Training Needs Analysis questionnaires has been completed by PAB Members in the first instance and are being analysed by Fund Officers.
5. Development of Business Continuity Policy, Plan (including Cyber security) and Testing		The PAB completed their review of the Fund's Business Continuity Policy and Plan after their 16 December 2020 meeting and is provided at Agenda Item 04.C for the Board's approval.
6. Commencement of Governance Review and Effectiveness Survey		The IGAA has commenced this review by issue of the Effectiveness Survey which has been completed by PSB and ISC Members. An update is provided as part of this Pack at Item 06.



Strategic BAU & Key Priorities		Commentary
7. Annual Review of Governance related Policies including the Governance Policy and Compliance Statement		The annual review of the Governance Policy and Compliance Statement has been completed with a draft revised version provided at Agenda Item 04.B for the Board's approval.
8. Annual Statement of Accounts including compliance with CIPFA requirements		Complete.
9. Annual review of Terms of Reference for PSB/ISC/PAB		The annual review of the PSB/ISC and PAB Terms of Reference has been completed with draft revised versions provided at Agenda Item 04.B for the Board's approval.
10. Development & Implementation of Breaches Policy		Complete.
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# Commentary

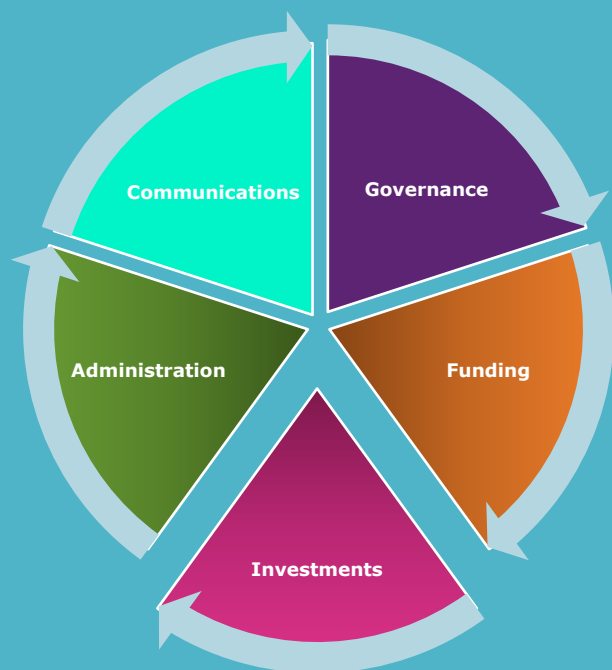
## 2. Funding



Strategic BAU & Key Priorities		Commentary
1. Implementation of the outcome of the Actuarial Valuation in line with the Fund's Funding Strategy Statement		Complete.
2. Annual Interim Funding review		Complete.
3. Funding Strategy Statement review		Complete.
4. Employing Authority discretions and delegations review		Periodically reviewed as and when required.
5. Employer Risk review		Periodically reviewed as and when required.
6. Undertake Interim review of the Fund's Actuary		The Interim review of the Fund's Actuary has been completed with a report provided at Agenda Item 12 for the Board's consideration.

# Commentary

## 3. Investments



Strategic BAU & Key Priorities		Commentary
1. Strategic Asset Allocation review		Complete.
2. Commencement of Institutional Investment Consultant procurement		The shortlisted candidates will present to the ISC Appointment Sub Committee on 10 March 2021 with the results reported to the ISC at their 24 March 2021 meeting for ratification.
3. Institutional Investment Consultant – CMA review		Complete.
4. Implementation of Independent Investment Adviser procurement		Complete.
5. Commencement of Global Custody procurement		An update report was provided to the ISC at their 20 January 2021 meeting where it was agreed to commence the procurement with ACCESS colleagues which has subsequently initiated.
6. Asset/Liability Study		Complete.





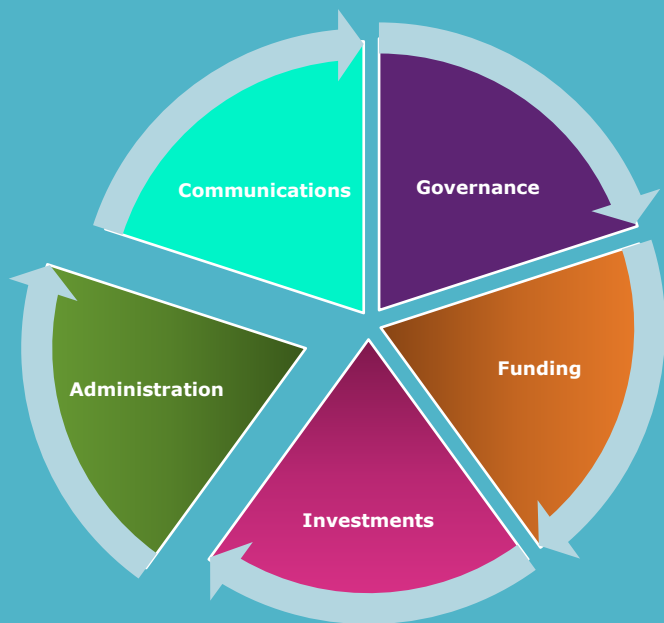
Strategic BAU & Key Priorities		Commentary
7. Investment Strategy Statement review including Responsible Investment (RI) Policy		Complete.
8. 2021/22 Treasury Management Strategy review		The 2021/22 Treasury Management Strategy review has commenced with the outcome to be reported to the ISC at their 24 March 2021 meeting.
9. ACCESS collaboration		Complete for 2020/21.
10. Individual Manager review		Progress periodically reported to each ISC meeting.
11. Review of CEM Benchmarking / Cost Transparency		Complete.
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# Commentary

## 4. Administration



Strategic BAU & Key Priorities		Commentary
1. LGPS Reform – Planning for Administration changes <ul style="list-style-type: none"> <li>Unpausing of Cost Cap</li> <li>£95k Cap</li> <li>Goodwin</li> </ul>		Complete for 2020/21. An update in regard to the recent developments with 95K Cap are part of Agenda Item 05.
2. Review/Procure a Administration System Provider		Complete.
3. Review and implementation of Pensions Single Payments provider		New timeline to be agreed in line with ECC Corporate Systems Project.
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online		<p>Complete for 2020/21.</p> <p>Currently 63,000 (42%) individual Scheme Members have been invited to use “<i>Member online</i>” of whom 19,500 (30%) are utilising this service.</p> <p>280 Employers have registered and are using “<i>Employer online</i>”.</p>
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Strategic BAU & Key Priorities		Commentary
5. McCloud Preparation / Implementation		Complete for 2020/21.
6. Development of Monthly Returns Digital Transformation		Complete for 2020/21.
7. Data Improvement Plan		Complete for 2020/21.
8. Participation in National Fraud Initiative		Complete. From 2021/22 BAU.
9. Monthly Bulk Leaver / Retire Online development / implementation		Complete for 2020/21.
Page 39 of 234		

# Commentary

## 5. Communications



Strategic BAU & Key Priorities		Commentary
1. LGPS Reform: <ul style="list-style-type: none"> <li>Unpausing of Cost Cap</li> <li>£95k Cap</li> <li>Goodwin</li> </ul>		Complete for 2020/21. An update in regard to the recent developments with 95K Cap are part of Agenda Item 05.
2. Greater Digitalisation of the Fund including the exploration of Electronic Communications therein		Complete for 2020/21.
3. McCloud Implications		Complete for 2020/21.
4. Social Media Channel Exploration		Complete for 2020/21.
5. Commencement of the Website review		Complete for 2020/21.
6. Annual Benefit Statements review and development		Complete.
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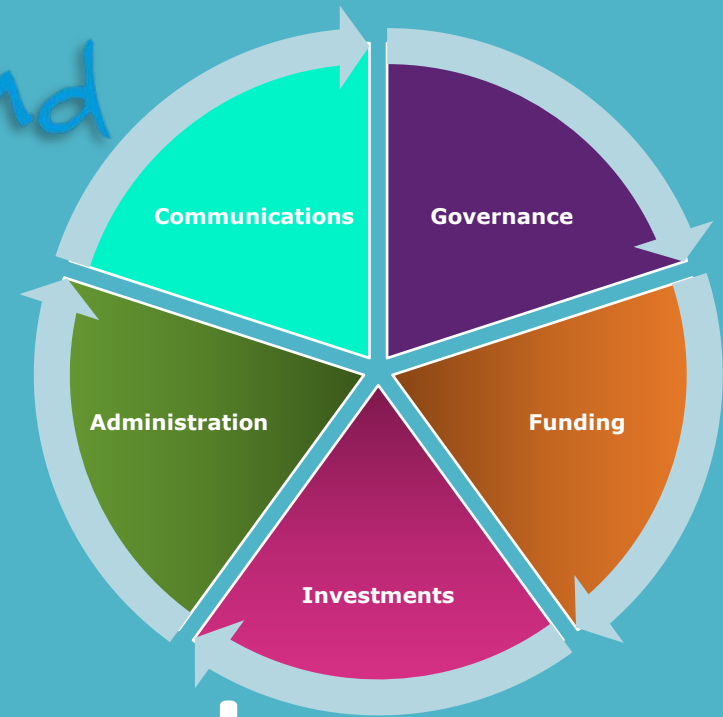
# Essex Pension Fund

## Section B

# 2020/21 Budget vs Current Forecast Q4 Update


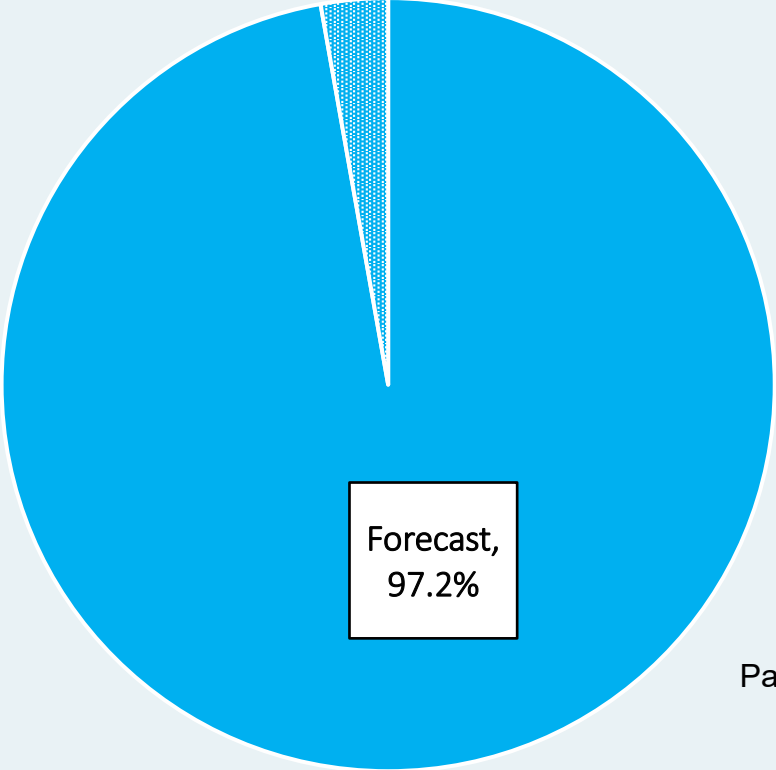





Date produced: 01 March 2021

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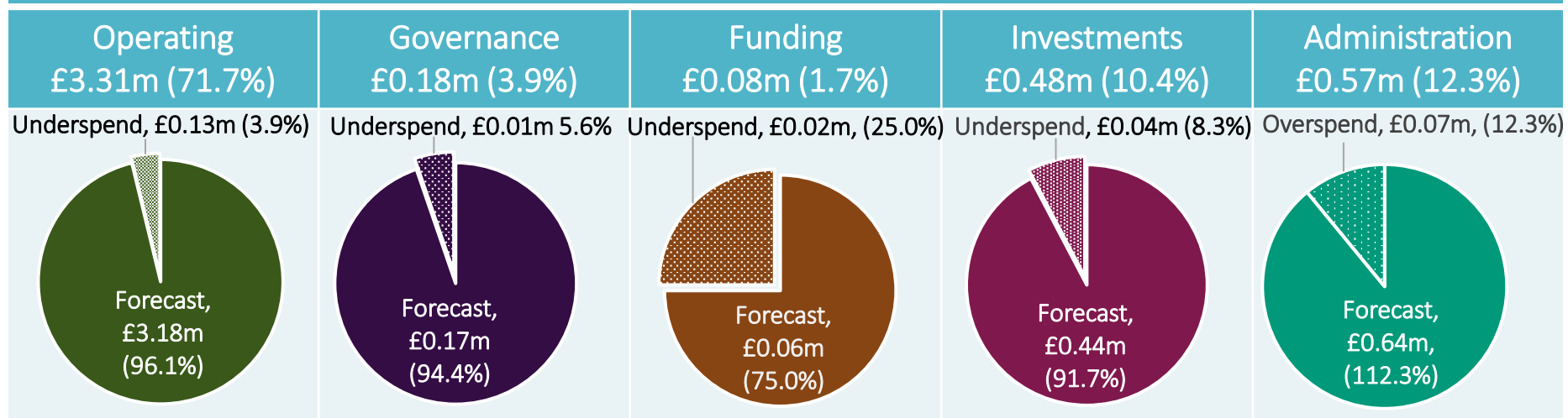


# EPF Budget vs Forecast 2020/21

## Q4 Progress Update

EPF Budget £4.62m	Current Forecast £4.49m	Variance (Under)/Overspend (£0.13m)	Rating 	Progress Update Commentary	Variance against Budget Key
 <p>Forecast, 97.2%</p> <p>Underspend, 2.8%</p>				Overall forecast an underspend vs EPF 2020/21 Budget.	<div>(Under) spend &gt; 5% </div> <div>(Under) spend &lt; 5% </div> <div>On Budget </div> <div>Over spend &lt; 5% </div> <div>Over spend &gt; 5% </div>

## EPF Budget 2020/21: £4.62m



## Variance against Budget: Rating



## Budget Commentary

EPF Staffing Budget underspend due to 1 FTE vacancy for half the year and the continued reliance on virtual, rather than physical meetings/conferences.

Slight underspend in respect to the forecasted cost of the 2020/21 external audit.

Actuarial advice significantly under Budget. This is due to the Employer Team undertaking some of the funding work internally with advice utilised only as and when required and the contingency set aside for McCloud not being borne in the year.

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Continue to forecast a moderate underspend for the year due to advice on some specific investment areas budgeted but not being required.

Overspend relates to the new Civica contract terms that commenced in August 2020 and in particular a one off fee borne at the start of the contract in regard to licencing and hosting. These costs were not fully anticipated when formulating the 2020/21 Budget.

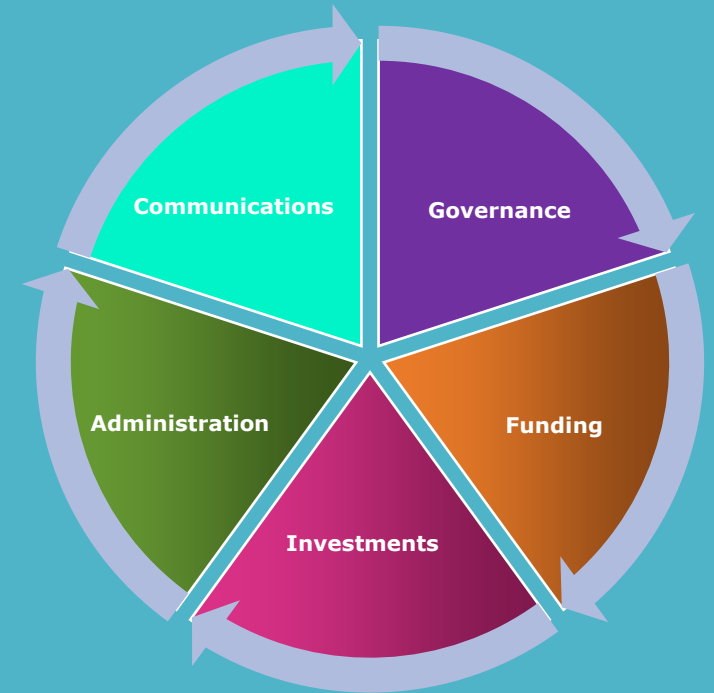
# Essex Pension Fund

Section C

2020/21

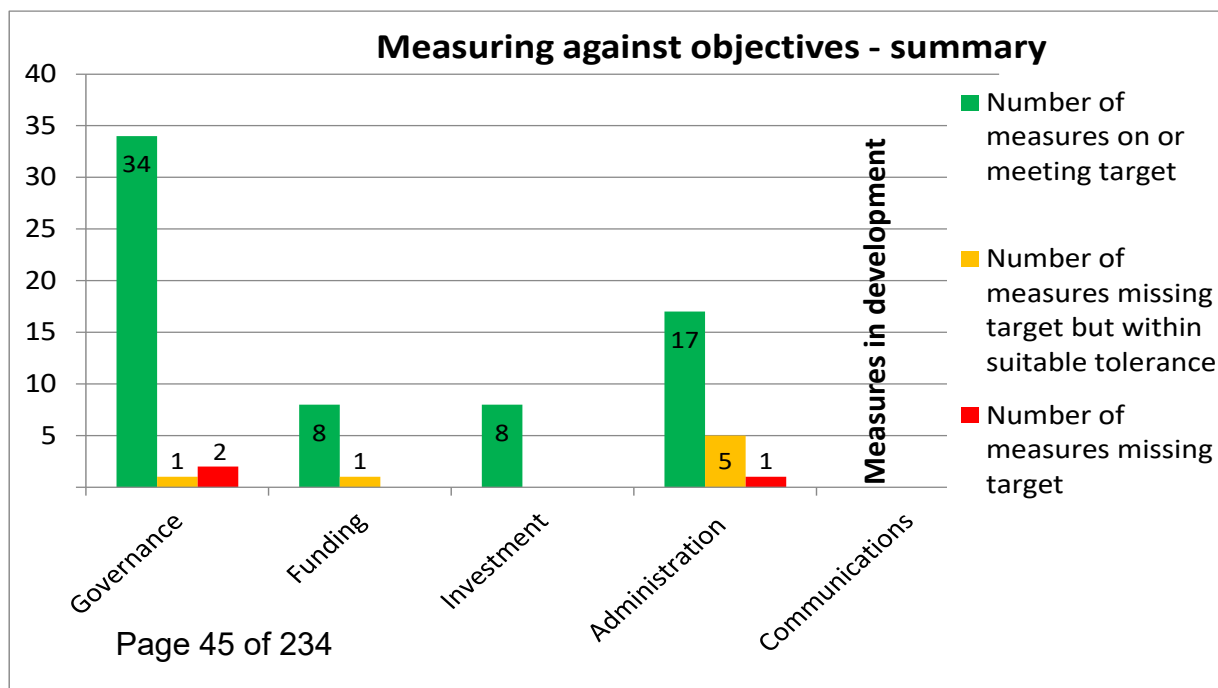
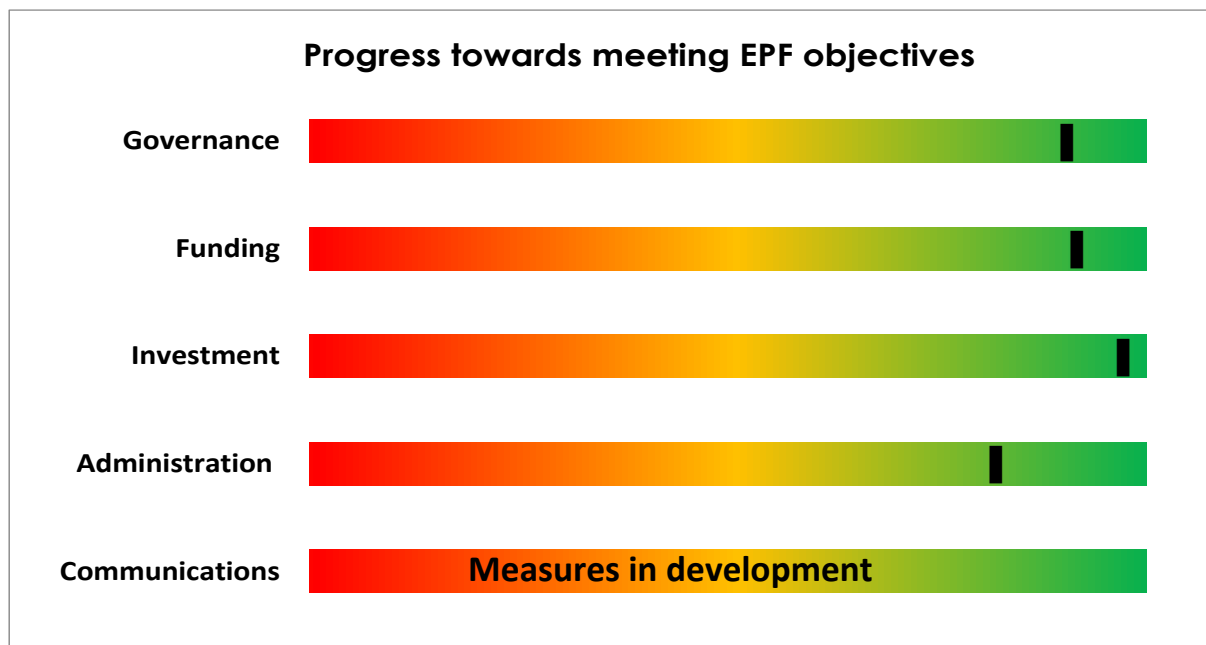
## Scorecard Update

01 December 2020 - 28 February 2021





# Current Status



# Movements since previous Scorecard




The numbers on the arrows represent the number of measures moving each way

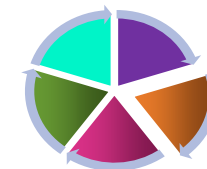
# Exceptions - Governance



Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
1.3.10. PAB Members achieved required training credits within a rolling 2-year period	90%	76%	95%	This is against the new target to achieve 12 credits in a rolling two year period in line with the new Knowledge and Skills Strategy. 76% was reported at the 16 December 2020 PSB against the previous target of 22 credits.	
1.3.11. % attendance at meetings by PAB	80%	78%	67%	1 PAB meeting took place in this scorecard period on 16 December 2020. 78% was reported at the 16 December PSB.	
1.5.6. PAB has provision for representatives of employers and scheme members. Appointees are currently in place	Yes	Yes	No	On 17 February 2021, Fund Officers received a resignation from one PAB Scheme Member representative. A paper in relation to the proposed recruitment for this position is provided as part of this Agenda Pack.	

Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
1.6.1. % of risks currently equal to or better than total target risk rating	90%	91%	89%	This has declined from 91% reported at the 16 December 2020 PSB due to the change in score in regard to risk G3 “A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables” relating to the pending local elections and the impact this may have on the Board/Committee Membership. In addition, the Fund have received a resignation from a PAB Scheme Member representative.	

# Exceptions - Funding



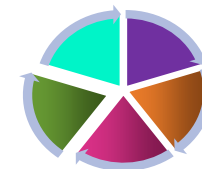
Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
2.4.2. Expected return of investment strategy is higher than the funding strategy assumed return	Yes		Yes	The Asset Liability Study was reported to the ISC at their 20 January 2021 meeting, with no changes required to the de-risking programme. The outcome was the current strategy is expected to achieve at 5.5% return against the Funding Strategy assumption of 4.5%.	N/A
2.6.1. Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.000%	0.001%	0.001%	The Fund now has two liquidations in progress as a result of Covid-19, the value at this stage is unknown and will be shared with the PSB at a future meeting.	↔

# Exceptions - Investment



Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
3.1.5. Investment Strategy one year funding level at risk for Essex Pension Fund	25.0%		24.5%	This is an annual measure as at 30 September 2020	N/A

# Exceptions - Administration



Measure	Target	Score as at 30 November 2020	Score as at 28 February 2021	Detail	Trend
4.1.12. Meeting Fund's agreed timescales - Calculate and notify deferred benefits within 30 working days	95%	79%	79%	<p>This has decreased from 90% in 2018/19 to 78% in 2019/20 due to the increase of retrospective notifications. This is an annual measure and will not be updated until August 2021. The Fund were below the CIPFA Average of 82%</p> <p>3,090 cases in 2019/20 6,581 cases in 2018/19 2,111 cases in 2017/18</p>	
4.2.1. % of contributing employers submitting timely payments	100.0%	98.2%	97.9%	Previous score reported to 16 December PSB was 98.2%	
4.2.2. % of employers submitting employer contribution amounts in accordance with rates and adjustments certificate	100.0%	99.8%	99.8%	Previous score reported to 16 December PSB was also 99.8%	

# Essex Pension Fund

## Section D

# 2020/21 Risk Management Update

01 December 2020 – 28 February 2021





# Current Status

## Essex Pension Fund

Probability	Almost Certain (4)		1 (1)	1 (1)	
	Likely (3)		5 (4)	4 (4)	
	Possible (2)		3 (4)	7 (7)	2 (2)
	Unlikely (1)		5 (5)	10 (10)	8 (8)
		Minor (1)	Moderate (2)	Major (3)	Critical (4)
		Impact			

(No. in brackets represents the previous scores reported to the 16 December PSB)

The Exception Report only shows those that have not yet reached their target score.

# Assessments

## BAU

Risk	Reported at 16 December PSB	As at 28 February 2021
G3. Lack of expertise, insufficient knowledge and maintenance of PSB/ISC/PAB	4 (Yellow) Risk has been partially mitigated due to the appointment of the Employer Representative on the PSB.	6 (Yellow) Reviewed due to the pending local elections due to take place in May and the resignation of one PAB Member
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	8 (Amber) Implications of Covid-19 pandemic	8 (Amber) Reviewed due to the lockdown restrictions and reinstatement of two-weekly Business Continuity Meetings
A1. Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to: - lack of regulatory clarity; - system issues; - insufficient resources.	9 (Amber) Implications of Covid-19 pandemic	9 (Amber) Reviewed due to the increase in the Covid-19 death rate
A3. Failure to pay people at right time in right amount  Page 54 of 234	6 (Yellow) Imminent risk has now been mitigated effectively however a lower risk still remains due to further BACs Cloud procurement	6 (Yellow) Pending BACS Cloud Procurement update



# 1. Exceptions - Governance

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
G3. A lack of expertise, insufficient knowledge and maintenance of the Essex Pension Fund Strategy Board (PSB), Essex Pension Fund Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) arising out of high turnover and/or changes within the Local Government Pension Scheme (LGPS) benefit structure, regulations and associated directives/deliverables	4	6	<ol style="list-style-type: none"> <li>1. Training Plan is in place.</li> <li>2. PSB/ISC/PAB Members have to complete specific Chartered Institute of Public Finance &amp; Accountancy (CIPFA) modules on a two-year cycle.</li> <li>3. Induction training for new Members within 3 months of appointment.</li> <li>4. Training plan is reviewed/adapted to reflect changes within LGPS.</li> <li>5. Essex Pension Fund (EPF) use Advisers i.e. Independent Governance &amp; Administration Adviser (IGAA) to provide relevant information and recommendations.</li> <li>6. Progress made against training plan is recorded and monitored.</li> <li>7. Mechanisms are in place to recruit vacancies as they arise.</li> </ol>	4



# 1. Exceptions - Governance

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	8	8	<ol style="list-style-type: none"> <li>1. EPF Business Continuity Plan (BCP) in place.</li> <li>2. EPF BCP regularly tested including call cascades and desk-top exercises.</li> <li>3. Testing is recorded and monitored.</li> <li>4. Essex County Council (ECC) also exercise their BCP which includes EPF.</li> </ol>	6
<p>G14. Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> <li>- McCloud, Cost Cap, £95k Cap and Goodwin - MHCLG Consultations likely to impact on the Fund i.e. resources to deliver the required outputs;</li> <li>- Academisation of Schools, the possibility of Multi-academy Trust (MAT) breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk;</li> <li>- Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have;</li> </ul>	12	12	<ol style="list-style-type: none"> <li>1. Regular communications with schools to understand their intentions.</li> <li>2. Essex Pension Fund (EPF) and their Advisers are actively involved in the development of the LGPS.</li> <li>3. EPF monitor the current and new regulations and correspondence from Ministry of Housing, Communities and Local Government (MHCLG) and Local Government Association (LGA).</li> </ol>	4



# 1. Exceptions - Governance

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
<p>G14 continued.</p> <ul style="list-style-type: none"> <li>- Superannuation Contributions Adjusted for Past Experience (SCAPE) rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions;</li> <li>- Increased centralisation of the Local Government Pension Scheme (LGPS) and HM Treasury taking all the assets / structural change;</li> <li>- Guaranteed Minimum Pension (GMP) equalisation resulting in potentially additional costs and/or administration;</li> <li>- National Pensions Dashboard resulting in major changes to data provision;</li> <li>- Separation of the Fund from the Administering Authority;</li> <li>- Government intervention in Fund asset allocation decisions.</li> </ul>	12	12	<ul style="list-style-type: none"> <li>4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds.</li> <li>5. EPF utilise the expertise of their Independent Administration and Governance Adviser (IGAA)</li> <li>6. A McCloud project team was set up autumn 2019 to ensure requirements are being actioned and communicated with Employers. The Fund will continue to communicate with Employers and updates on the latest developments will be provided throughout the year.</li> </ul>	4



# 4. Exceptions - Administration

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
<p>A1. Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none"><li>- lack of regulatory clarity;</li><li>- system issues;</li><li>- insufficient resources.</li></ul>	9	9	<ol style="list-style-type: none"><li>1. Essex Pension Fund (EPF) ensure the System complies with the latest regulatory requirements through:<ul style="list-style-type: none"><li>• Technical Hub help to translate regulations and ensure new systems meet regulatory requirements;</li><li>• Robust testing for system changes</li><li>• Linking to knowledge and information from software supplier and other Local Government Pension Scheme (LGPS) clients using the same administration software.</li></ul></li><li>2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources.</li><li>3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.</li></ol>	6



# 4. Exceptions - Administration

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
A3. Failure to maintain proper records leading to inadequate data resulting in failure to pay the correct pensions to the right people at the right time.	6	6	<ol style="list-style-type: none"><li>1. Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out.</li><li>2. Essex Pension Fund (EPF) ensure the System is tested regularly to ensure compliance with regulations.</li><li>3. Robust checking and validation of data takes place in calculations and receipt of information from employers.</li><li>4. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications.</li><li>5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.</li></ol>	3



# 4. Exceptions - Administration

Risk Details	16 Dec Rating	Current Rating	Controls / Mitigations	Target Score
A3 Continued.	6	6	<ul style="list-style-type: none"><li>6. Liaise with Essex County Council (ECC) Supplier and Service team to ensure ECC BACS system is secure, reliable and up-to-date with required software on an ongoing basis. There is reliance on ECC BACS software solution to ensure payroll is completed at the right time.</li><li>7. ECC's Corporate System 'TCS' (Financial Ledger system) is in the process of being replaced by another system.</li></ul>	3



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 03b</b>
<b>Date: 17 March 2021</b>	

## **Essex Pension Fund Advisory Board Review of the Fund's Annual Surveys**

Report by the Retirement Manager

Enquiries to Daniel Chessell 03330 138384

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### **1. Purpose of the Report**

- 1.1 To provide the Board with the outcome of the Essex Pension Fund Advisory Board (PAB) Review of the Fund's Annual Surveys carried out by the Task & Finish Group (T&FG).

### **2. Recommendations**

- 2.1 That the Board **agree**:

- to move away from the distribution of Annual Employer and Scheme Member Surveys;
- to a more target based, event driven model focusing around a small subset of questions and distributed using a variety of different channels available to the Fund;
- that the composition and design of the Surveys be delegated to Officers to finalise and implement; and
- a further review be carried out in 2022/23 to measure success of the revised approach.

- 2.2 That the Board note the content of the report.

### **3. Background**

- 3.1 At the 23 September 2020 Essex Pension Fund Strategy Board (PSB) meeting, Members discussed the low response rate for the Fund's Annual Surveys, in particular those relating to the Employer Survey and agreed a recommendation to delegate a Review of the current approach taken to the Essex Pension Fund Advisory Board (PAB).
- 3.2 It was agreed that a T&FG be established with the PSB represented by Rachel Hadley (Other Employing Bodies Representative).
- 3.3 At the PAB meeting, held on 23 September 2020, the membership of the T&FG was finalised as:
- Rachel Hadley (PSB Member, Other Employing Bodies Representative);
  - Stuart Roberts (PAB Member, Scheme Member Representative who was also able to represent as an Employer in the Fund);
  - James Sheehy (PAB Member, Scheme Member Representative but who was also able to represent as an Employer in the Fund);
  - Karen McWilliam (Independent Governance & Administration Adviser (IGAA) Aon); and
  - Daniel Chessell (Retirement Manager, Lead Fund Officer).

### **4. Task & Finish Group**

- 4.1 The T&FG met on three occasions: 1 October 2020; 3 November 2020; and 26 November 2020, and reviewed the Fund's current practices regarding the survey process and discussed ways in which the Fund could aim to achieve a better response rate from its Employers and Scheme Members.
- 4.2 A pilot of a targeted event-based survey was held based on the Fund's virtual Pensions Surgery model for Scheme Members. The surgery allowed the membership to book an appointment and discuss their pension enquiries, albeit virtually but face to face using Microsoft Teams. To measure its success all 50 Scheme Members who participated in the day were emailed a short online survey which had been created using Citizen Space. The survey was based on ideas discussed at the T&FG.

- 4.3 31 responses were received from the 50 emails issued (62%). The feedback was very positive and as such the Fund are looking to utilise these Surgeries over the coming months.

## 5. Outcome of Review

- 5.1 The findings of the Review were reported to the PAB at their 16 December 2020 meeting. The consensus amongst the Group was that the Fund could benefit from a more targeted and event based driven model focusing around a small subset of questions instead of the historic annual survey process which were found to be, general in nature and time consuming for the respondent often involving several individuals to complete.
- 5.2 The PAB agreed with the findings and recommendations made by the T&FG and therefore are now proposing the PSB to consider the recommendations set out in Section 2 of this report.

## 6. Next Steps

- 6.1 Upon agreement of the recommended approach:

- Officers will identify subject matters where surveys could be developed to obtain feedback regarding a particular area of work, for example;

Administration Surveys	Employer Surveys
• Annual Benefit Statements	• Onboarding
• General Enquiries	• Employers joining the Fund
• Estimates	• Workshops / Training events
• Retirements	• Use of webinar training
• Retire Online	• PN11 process

- establish the most appropriate medium(s) of communication;
- compose, design and release the Surveys to the target audience;

- develop Roadmaps to set expectations to be issued with relevant paperwork; and
- carry out a further review in 2022/23 to measure success of the revised approach.

## **7. Link to Essex Pension Fund Objectives**

7.1 Fund Surveys assists the Fund in obtaining feedback from Scheme Members and Employers to ensure the achievement of our Communication Objectives, including to:

- communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally;
- ensure our communications are useful and easy to follow;
- deliver information in a way that suits all types of stakeholders including providing more accessibility through greater use of technology; and
- aim for full appreciation of the pension scheme benefits and changes to the Scheme by all the scheme members, prospective scheme members and employers.

## **8. Risk Implications**

8.1 The risks associated with not achieving of our Communication Objectives include:

- issuing incorrect or inaccurate communications leads to lack of understanding and/or complaints;
- information delivered in a way that is not appropriate for members or employers, e.g. too complex, not relevant or in an unsuitable format;
- communications are not customised to specific needs and/or are overly complicated resulting in lack of understanding by all stakeholders; and
- poor quality or lack of communications can lead to lack of understanding by all stakeholders.

## **9. Communication Implications**

- 9.1 The design and composition of the revised approach will impact on the timeline and delivery of issuing the Fund's Surveys to its Members and Employers.
- 9.2 Other than ongoing reporting to the Board, there are no communications implications.

## **10. Finance and Resources Implications**

- 10.1 None.

## **11. Background Papers**

- 11.1 PAB Minutes, 16 December 2020.
- 11.2 PAB Update, PAB 05, 16 December 2020
- 11.3 Update on Pension Fund Activity, PSB 06, 23 September 2020.
- 11.4 PSB Update, PAB 07, 23 September 2020.
- 11.5 PSB Minutes, 23 September 2020.
- 11.6 PAB Minutes, 23 September 2020.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 03c</b>
<b>Date: 17 March 2021</b>	

## **Communications Scorecard Measures**

Report by the Interim Director for Essex Pension Fund in consultation with the Independent Governance & Administration Adviser (IGAA)

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Enquiries to Jody Evans 03330 138489

### **1. Purpose of the Report**

- 1.1 To provide the Board with the revised Communications Scorecard Measures for approval.

### **2. Recommendations**

- 2.1 That the Board **agree** the revised Communications Scorecard Measures be included with the Fund's Scorecard.
- 2.2 That the Board note the content of the report.

### **3. Background**

- 3.1 The Fund undertook to review the Strategic Objectives, Risks and Scorecard at the start of 2018/19 with the final element of the review being the Scorecard.
- 3.2 Fund Officers, in consultation with the Independent Governance and Administration Adviser, have been developing the new look Scorecard throughout 2019/20 and 2020/21 with the final instalment of the Communications Measures being presented at this meeting for the Boards approval.

### **4. Next Steps**

- 4.1 If agreed, the Communications Measures will be included within the Fund's Scorecard which will be reported to each PSB meeting (by exception), with the full Scorecard presented on an annual basis.

### **5. Link to Essex Pension Fund Objectives**

- 5.1 Monitoring Pension Fund Activity via the Scorecard assists the Fund in achieving all of its objectives, and in particular:
- Provide a high-quality service whilst maintaining value for money;
  - Understand and monitor risk and compliance; and
  - Continually measure and monitor success against our objectives.

### **6. Risk Implications**

- 6.1 Key risks are identified within the Fund's Risk Register.

### **7. Communication Implications**

- 7.1 Other than ongoing reporting to the Board, there are no communications implications.



## **8. Finance and Resources Implications**

8.1 None.

## **9. Background Papers**

9.1 Update on Pension Fund Activity, PSB 04, 16 December 2020.

9.2 Update on Pension Fund Activity, PSB 06, 23 September 2020.

9.3 Update on Pension Fund Activity, PSB 04, 04 March 2020.

## Proposed Communications Measures for the New Scorecard

New Scorecard – PROPOSALS	Measures
5.1 Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	
5.1.1 PSB have oversight of the requirements within the Communication Policy which is reviewed at least every three years or before if required	Target: yes = green no = red
5.1.2 The Fund has processes and communication channels in place to enable all stakeholders to provide feedback on the quality of its service as identified within the Communications Policy	Target: yes = green no = red
5.1.3 % response relating to friendliness and expertise of staff within all Member surveys	Target: 90% = green; 85% = amber; <85% = red
5.1.4 % response relating to friendliness and expertise of staff within all Employer surveys	Target: 90% = green; 85% = amber; <85% = red
5.1.5 % response relating to friendliness and expertise of staff in regard to the Funds other Stakeholders	Target: 90% = green; 85% = amber; <85% = red
5.2 Ensure our communications are useful and easy to follow	
5.2.1 The Fund adhere to the principles of 'Crystal Mark' (Plain English Campaign)	Target: yes = green no = red
5.2.2 % positive responses to usefulness and easy to follow within all Member surveys	Target: 90% = green; 85% = amber; <85% = red
5.2.3 % positive responses to usefulness and easy to follow within all Employer surveys	Target: 90% = green; 85% = amber; <85% = red
5.2.4 % of Board/Committee Members positive responses to the usefulness and easy to follow reports and presentations at their meetings to enable decision to be made	Target: 90% = green; 85% = amber; <85% = red

New Scorecard – PROPOSALS	Measures
5.3 Deliver information in a way that suits all types of stakeholders including providing more accessibility through greater use of technology	
5.3.1 Fund invites all new Members to register for Member Online	Target: yes = green; no = red
5.3.2 The number of Members registered for Member Online increases each quarter	Target: yes = green; no = red
5.3.3 All Employers are utilising Employer Online within three-months of joining the Scheme (to become live once roll out has completed)	Target: yes = green; no = red
5.3.4 % positive responses to “how easy was it to use” relating to all Member digital services	Target: 90% = green; 85% = amber; <85% = red
5.3.5 % positive responses to “how easy was it to use” relating to all Employer digital services	Target: 90% = green; 85% = amber; <85% = red
5.3.6 % positive responses to questions relating to ‘the ease of access to information’ in all Member Surveys	Target: 90% = green; 85% = amber; <85% = red
5.3.7 % positive responses to questions relating to ‘the ease of access to information’ in all Employer surveys	Target: 90% = green; 85% = amber; <85% = red
5.4 Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all the scheme members, prospective scheme members and employers	
5.4.1 % of positive responses from all Employer surveys in relation to ‘understanding the information’	Target: 90% = green; 85% = amber; <85% = red
5.4.2 % of positive response from all Member surveys in relation to ‘understanding the information’	Target: 90% = green; 85% = amber; <85% = red
5.4.3 % positive response from employers training survey	Target: 90% = green; 85% = amber; <85% = red

New Scorecard – PROPOSALS	Measures
5.4.4 % positive responses to the Active ABS Survey	Target to be determined once in place for 12 months to ascertain a realistic target (digital issues of survey only)
5.4.5 % positive responses to the Deferred ABS Survey	Target to be determined once in place for 12 months to ascertain a realistic target (digital issues of survey only)

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04a</b>
<b>Date: 17 March 2021</b>	

## **Essex Pension Fund (EPF) - Three Year Business Plan and 2021/22 Budget**

Report by the Interim Director for Essex Pension Fund in consultation with the Independent Governance & Administration Adviser (IGAA)

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Enquiries to Jody Evans on 0333 0138 489

### **1. Purpose of the Report**

- 1.1 To submit the Essex Pension Fund (EPF) Three Year Business Plan for 2021/22 to 2023/24 and proposed 2021/22 Budget for approval.

### **2. Recommendation**

- 2.1 That the Board **approve** the:
  - EPF Three Year Business Plan for 2021/22 to 2023/24; and
  - Budget for 2021/22 of £5.65m as detailed in the Business Plan.

### **3. Background**

- 3.1 It is recommended best practice for Local Government Pension Schemes (LGPS) to prepare a Business Plan and Budget which are approved by the Board/Committee discharged with decision making responsibilities. This recommendation was reinforced by the work undertaken by Hymans Robertson on behalf of the Scheme Advisory Board in regard to the Good Governance Project in the LGPS.
- 3.2 In addition, Regulation requires pension fund assets to be ring-fenced. The Fund is run on behalf of over 700 Employers and 172,000 Scheme Members, from a range of public, private, and quasi-public organisations across Essex. All the costs (and efficiencies) of administering the Fund are met by (or benefit) the Fund.
- 3.3 Each year the PSB approve the EPF Business Plan and Budget for the forthcoming financial year with progress against each area of business activity measured and progress reported back to the Board on a quarterly basis.

### **4. 2021/22 to 2023/24 Business Plan**

- 4.1 This is the second iteration of the new look Business Plan with the Board approving the first at their 04 March 2020 meeting.
- 4.2 In line with the previous approved version, the 2021/22 to 2023/24 Business Plan continues to document key priorities of area of activities to achieve the Fund's strategic objectives including: governance around the Fund and decision making; its strategic goals; areas of activity; staff and financial resource implications as well as a further look at the challenges that are on the horizon for the Fund.

### **5. 2021/22 Budget**

- 5.1 It is also best practice to include a Budget within the Business Plan. As such the Fund's Business Plan includes the proposed 2021/22 Budget.
- 5.2 The EPF internal operational budget (staff, overheads, general expenses) for 2021/22 has been set in line and follows Essex County Council's (ECC's) budgetary setting process as laid out by the S151 Officer. Separately from this a budget allocation has been made in respect of all main external third-party support/advice provided to EPF.

- 5.3 The Fund is proposing a Budget of £5.65m. This is made up of £3.83m operational budget and £1.82m for third party supplier support/advise.
- 5.4 The table below sets out the current 2020/21 Budget, Forecast and proposed 2021/22 Budget:

Budget Area	2020/21 Budget  £m	2020/21 Final Forecast  £m	2021/22 Proposed Budget  £m
Operating Budget	3.31	3.18	3.83
Governance	0.18	0.17	0.18
Funding	0.08	0.06	0.15
Investments	0.48	0.44	0.81
Administration	0.57	0.64	0.68
<b>Total</b>	<b>4.62</b>	<b>4.49</b>	<b>5.65</b>

- 5.5 The increase in the 2021/22 Budget is driven largely by the increases in the Operating and Investment budget lines.
- 5.6 The Operating budget line of £3.83m is composed of £3.34m as set by ECC budgetary process and includes a further amount of £0.49m which is pending S151 Officer approval. This relates to the Fund's estimation of additional staffing costs required for the Fund to meet its statutory obligations arising from the LGPS Reform and its 2021/22 strategic activities. The 2021/22 investment budget line now reflects the cost of the Fund's Global Custody arrangements of £0.31m.
- 5.7 The 2021/22 to 2023/24 Business Plan along with the 2021/22 Budget has been provided at Appendix A of this Report for approval by the Board.

## 6. Link to Essex Pension Fund Objectives

- 6.1 Identifying and monitoring EPF activity via the Business Plan assists the Fund in achieving all of its strategic objectives, and in particular:

- provide a high-quality service whilst maintaining value for money;
- ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- act with integrity and be accountable to our stakeholders;
- deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need;
- continually measure and monitor success against our objectives; and
- ensure our communications are useful and easy to follow.

## **7. Risk Implications**

7.1 Failure to develop and publish a Three-Year Business Plan could result in:

- failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

## **8. Communication Implications**

8.1 The Three-Year Business Plan will be published on the Fund's website.

8.2 Other than ongoing reporting to the Board, there are no communication implications.

## **9. Finance and Resource Implications**

9.1 To deliver the activities outlined in the Business Plan for 2021/22 a Budget of £5.65m has been estimated which includes an operational internal budget of £3.83m and a budget allocation for third party provider support/advice of £1.82m. This will be periodically kept under review.

## **10. Background Papers**

10.1 EPF Three Year Business Plan, PSB 05, 04 March 2020.



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# **Business Plan**

## **2021/22 to 2023/24**

**March 2021**

# Essex Pension Fund

## Business Plan

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### Introduction

This Business Plan explains how the Essex Pension Fund intends to develop and improve its services over the next three years.

It enables the Fund to focus on its key priorities, the achievement of its objectives and assists stakeholders in their understanding of how they contribute to the overall success of the Pension Fund.

### About the Essex Pension Fund ('the Fund')

The Essex Pension Fund 'the Fund' is one of the 87 Funds making up the Local Government Pension Scheme (LGPS) in England and Wales.

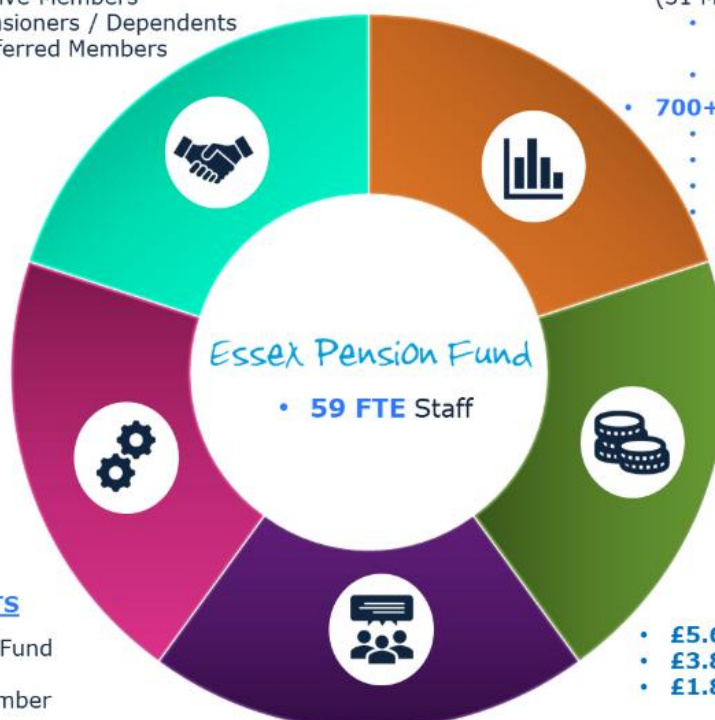
The Fund is managed and administered by Essex County Council. Essex County Council are responsible for maintaining and managing the Fund on behalf of its Stakeholders; the Scheme Members and Employers participating in the Fund.

#### FUND MEMBERSHIP

- **172,037** Members (31 March 2020)
  - **57,498** Active Members
  - **44,682** Pensioners / Dependents
  - **69,857** Deferred Members

#### FUNDING/EMPLOYERS

- **96.2%** Interim Funding Level (31 March 2020)
  - **£6.90bn** Assets (based on a smoothed 6-month average)
  - **£7.17bn** Liabilities
- **700+** Employers, including:
  - Administering Authority (ECC)
  - Tax Raising Bodies
  - Admission Bodies
  - Academies



#### INVESTMENTS

- **c£6.6bn** Value of Fund (31 March 2020)
- **ACCESS Pool** member

#### FINANCIAL

- **£5.65M** Total Budget
- **£3.83M** Operational Budget
- **£1.82M** Third Party Contractor Expenses\*

#### GOVERNANCE

- **PSB** Essex Pension Fund Strategy Board
- **ISC** Investment Steering Committee
- **PAB** Essex Pension Fund Advisory Board

\*This excludes Investment related management fees and expenses

# Essex Pension Fund

## Business Plan

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### Who Manages and Runs the Fund

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 membership of the PSB is detailed below.

In addition, the Local Pensions Board (Essex Pension Fund Advisory Board (PAB)) was established on 1 April 2015 under the requirements of the Public Service Pensions Act 2013. It has an oversight role to assist the Administering Authority in securing compliance with regulations by acting as a 'critical friend' to the PSB and the ISC, ensuring the efficient and effective governance and administration of the Fund.

### Membership of the Essex Pension Fund Strategy Board

#### Representatives of the Administering Authority (ECC)



Cllr. S. Barker (Chairman)



Cllr. M. Platt (Vice Chairman)

Cllr. A. Goggin  
Cllr. A. Hedley  
Cllr. M. Maddocks  
Cllr. L. Scordis  
Cllr. C. Souter  
Cllr. A. Davies (Labour Substitute)  
Cllr. M. Durham (Conservative Substitute)

#### Representative of Scheme Members

S. Child (UNISON)

#### Representatives of the District / Borough Councils in Essex (nominated by Essex Borough and District Leaders' Group)

Cllr. C. Riley (Castle Point Borough Council)

#### Representatives of Unitary Councils

Cllr. M. Dent (Southend-on-Sea Borough Council)

#### Representative of Other Employing Bodies

R. Hadley (Chelmer Housing Partnership)

# Essex Pension Fund

## Business Plan

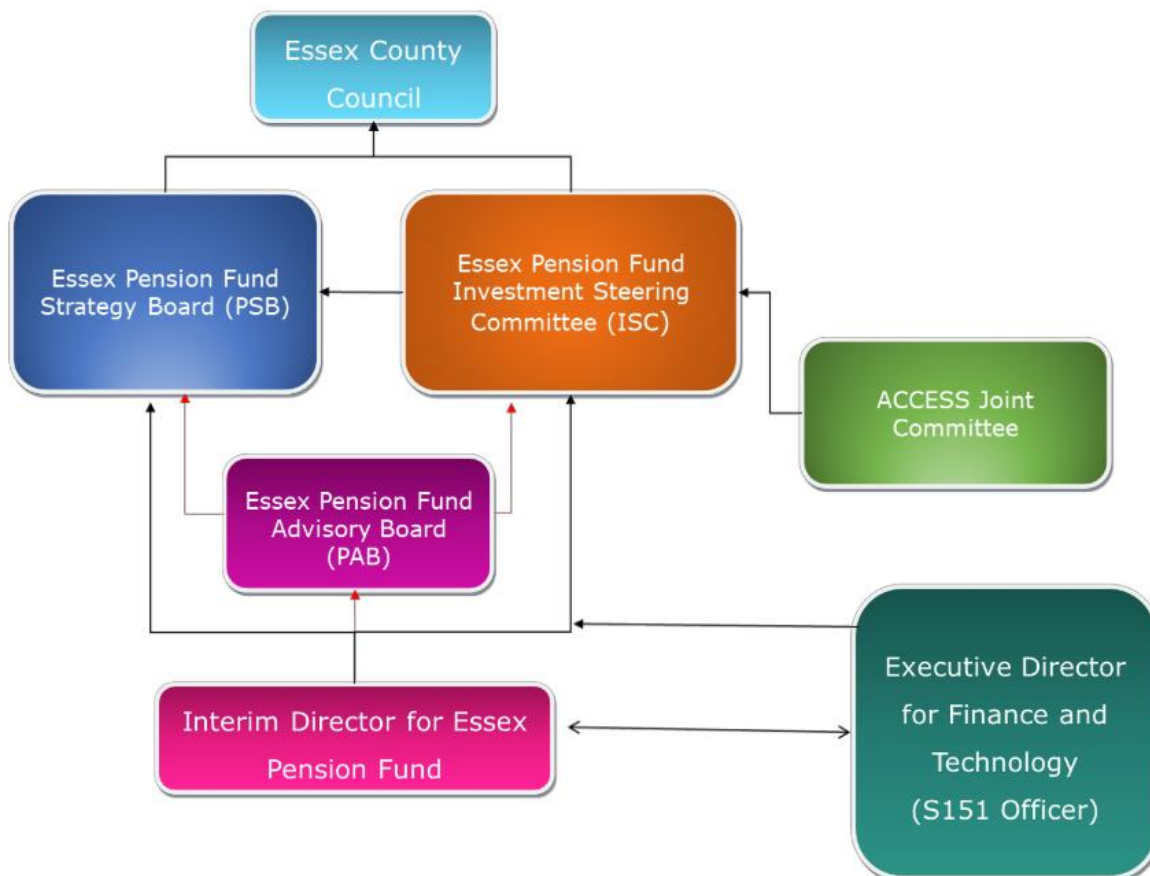
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### ACCESS Pool

The Fund is one of eleven like minded LGPS Funds working collaboratively under the name ACCESS (A Collaboration of Central, Eastern and Southern Shires) who are committed to working together to optimise benefits and efficiencies in relation to investments on behalf of their individual and collective stakeholders.

### Governance of the Fund

The relationship between the key decision-making bodies and day-to-day management of the Essex Pension Fund is illustrated below:

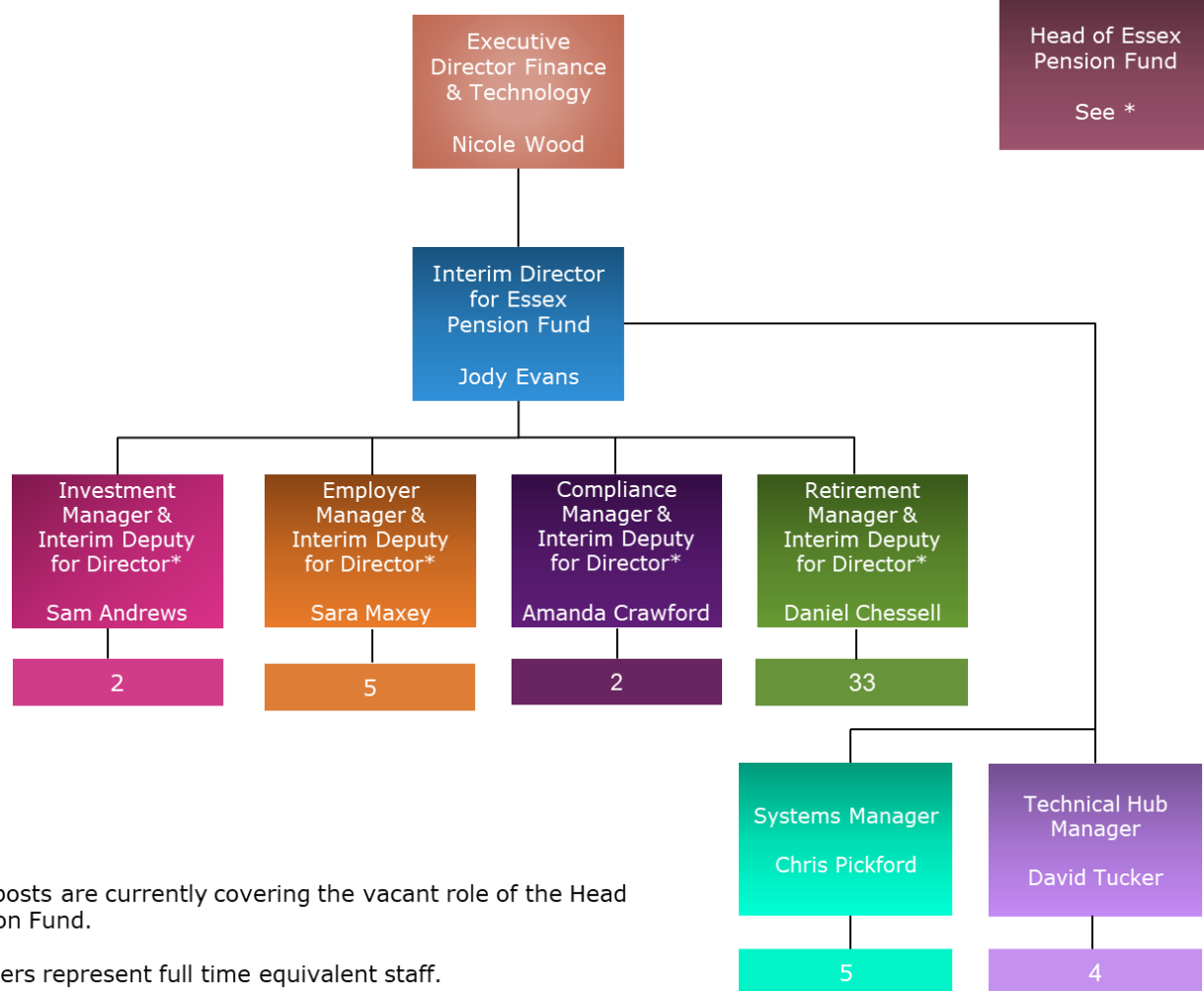


# Essex Pension Fund

## Business Plan

### Staffing Structure of the Fund

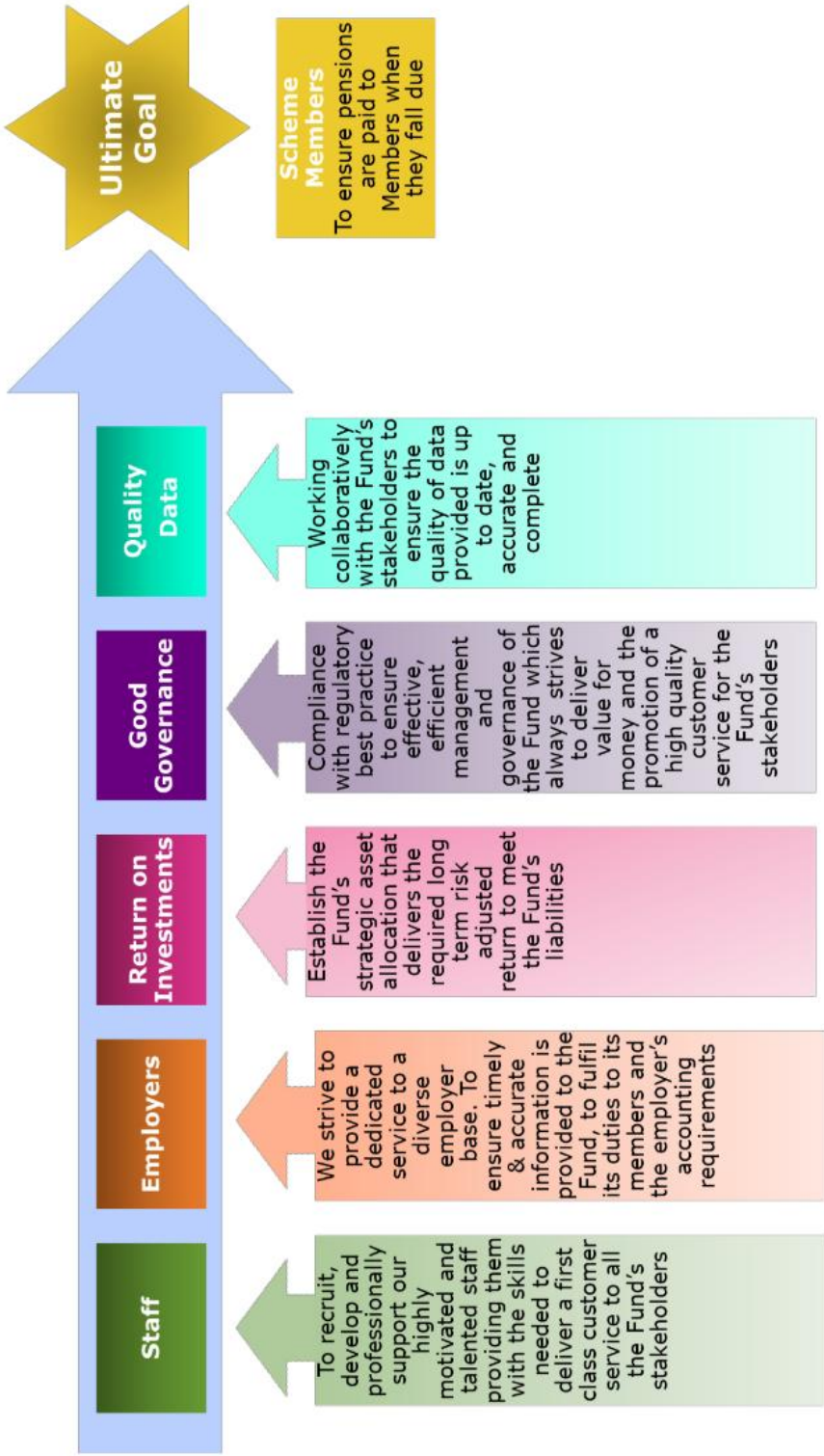
The day-to-day management of the Essex Pension Fund is illustrated below:





Strategic Goals of the Fund

The strategic goals of the Fund are detailed below:



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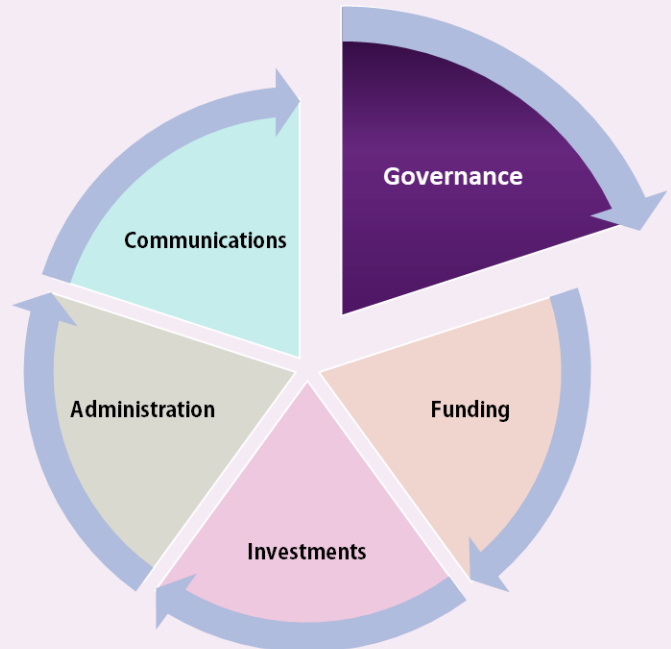
### The Fund's Priorities

The Fund's priorities for the three years 2021/22 to 2023/24 are linked to the five key areas of business: Governance; Funding; Investments; Administration; and Communications. The following sections outline: the Fund's objectives; area of activity, including strategic Business as Usual (BAU); financial; staff resource and third party support requirements; and training required to deliver the outcomes of the Business Plan.



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### Governance



### Objectives

- Provide a high-quality service whilst maintaining value for money;
- Ensure compliance with the LGPS regulations, other relevant legislation and The Pensions Regulator's Codes of Practice;
- Ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- Evolve and look for new opportunities, ensuring efficiency at all times;
- Act with integrity and be accountable to our stakeholders;
- Understand and monitor risk and compliance;
- Continually measure and monitor success against our objectives; and
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.



# Essex Pension Fund

## Business Plan

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Area of Activity including strategic BAU	2021/22	2022/23	2023/24
<b>Policies and Publications</b>			
Business Plan & Budget	Annual	Annual	Annual
Risk Management Strategy	-	-	Review
Governance Policy and Compliance Statement	-	-	Review
Terms of Reference for PSB/ISC/PAB	Annual	Annual	Annual
Policy for the Recording and Reporting Breaches of the law	-	-	Review
Conflict of Interest Policy	-	Review	-
Members' knowledge and understanding - Knowledge and Skills Strategy	Implement	-	Review
Members' knowledge and understanding - Training Plan and Training Needs Analysis	Implement	-	Review
Business Continuity Policy	Implement	-	-
Business Continuity Plan (including Cyber security) and Testing	Ongoing	Ongoing	Ongoing
Annual Statement of Accounts including compliance with CIPFA requirements	Annual	Annual	Annual
Stakeholder Strategy	Develop	Implement	Review
<b>Reviews</b>			
Fund's Strategic Objectives	-	Review	-
Governance Review and Effectiveness Survey	Implement	Review	-
LGPS Reform	Ongoing	Ongoing	Ongoing
AVC Review	Commence	Implement (if required)	-
<b>Procurements</b>			
Independent Governance & Administration Adviser (IGAA) Review	Review	-	Review

# Essex Pension Fund

## Business Plan

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### Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities and BAU, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.60
Head of Essex Pension Fund	0.25
Investment Team	0.65
Funding/Employer Team	0.50
Governance Team	2.00
Administration Team	0.25
Technical Team	0.20
Systems Team	0.25
<b>Total</b>	<b>4.70</b>

\* These are estimated figures and are subject to change.

### Support from Third Party Suppliers

External Third Party Support
Aon - Independent Governance Administration Adviser (IGAA)
Barnett Waddingham LLP - Fund Actuary
To be confirmed - Institutional Investment Consultant (IIC)
Mark Stevens - Independent Investment Adviser (IIA)

### Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £180k.

# Essex Pension Fund

## Business Plan

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### Training

Training offered/delivered to our Committee/Board Members to increase knowledge, enabling robust decision making:

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Relevant TPR Toolkit Modules	-	Biennial	-
Relevant CIPFA Modules	-	Biennial	-
PLSA LA Conference	Annual	Annual	Annual
LGPS Governance Conference	Annual	Annual	Annual
Attendance at CIPFA training days for Board Members	As required	As required	As required
Any other Governance training as necessary	As required	As required	As required

### On the Horizon

- Scheme Advisory Board (SAB) Good Governance Project
  - ◊ The outcome of the Good Governance Project is yet to be reported and therefore the recommendations are not yet known to the Fund or the potential impact(s). However, it is expected to include a requirement to publish an Annual Governance Compliance Statement.
- The Pensions Regulator (TPR)
  - ◊ TPR expect Fund's to comply with the guidance set out in its Codes of Practice. Through continuous assessment, the Fund ensures adherence to the Code(s) which drives continuous monitoring and improvement. TPR is radically reviewing its Codes, amalgamating them into a new Single Modular Code expected during 2021, which will require a fundamental review of the Fund's compliance.

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### Funding



### Objectives

- Recognise in drawing up its funding strategy the desirability of Employer contribution rates that are as stable as possible;
- Prudently set levels of Employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement;
- Manage Employers' liabilities effectively, having due consideration of each Employer's strength of covenant, by the adoption, where necessary, of Employer specific funding objectives;
- Ensure consistency between the investment strategy and funding strategy;
- Maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other Employers and ultimately the tax payer from an Employer defaulting on its pension obligations to minimise unrecoverable debt on termination of Employer participation.

# Essex Pension Fund

## Business Plan

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Area of Activity including strategic BAU	2021/22	2022/23	2023/24
<b>Policies and Publications</b>			
Funding Strategy Statement (including Flexibilities Policies)	As required	Triennial	As required
<b>Reviews</b>			
Actuarial Valuation (including review of assumptions)	-	Triennial	Implement
Interim Funding review	Annual	-	Annual
Employing Authority discretions and delegations	As required	As required	As required
Employer Risk Review	As required	Triennial	As required
Longevity Analysis of Fund	-	Triennial	-
McCloud Preparation/Implementation	Implement*	Ongoing	Ongoing
Employer Training Webinars	Implement	-	-
<b>Procurements</b>			
Actuarial Contract review	-	-	Review

\*Pending Regulatory Change

### Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities and BAU, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.10
Head of Essex Pension Fund	0.25
Investment Team	-
Funding/Employer Team	5.30
Governance Team	-
Administration Team	-
Technical Team	0.20
Systems Team	0.15
<b>Total</b>	<b>6.00</b>

\*These are estimated figures and are subject to change.

DRAFT

### Support from Third Party Suppliers

#### External Third Party Support

Barnett Waddingham LLP - Fund Actuary

To be confirmed - Institutional Investment Consultant (IIC)

### Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £150k.

### Training

Training offered/delivered to our Committee/Board Members/Fund Employers to increase knowledge, enabling robust decision making:

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Actuarial Valuation training	-	Triennial	-
Funding Strategy Statement training	-	Triennial	-
Interim Valuation training	Annual	-	Annual
Any other Employer/Funding training as necessary	As required	As required	As required
Employer Forum/Webinar	As required	As required	As required

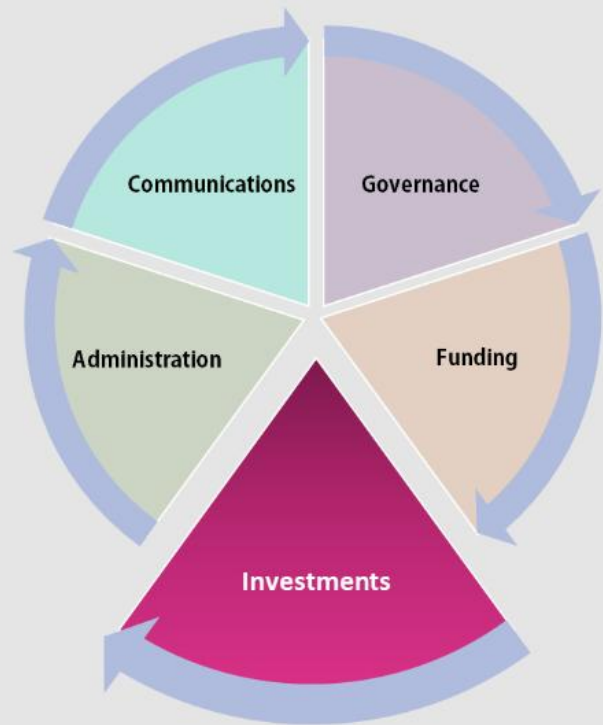
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### On the Horizon

- McCloud / Goodwin
  - ◇ Due to the court cases and resulting scheme changes, benefits will need to be recalculated/increased which will impact on the overall liabilities of the Essex Pension Fund and in turn the funding level.
  - ◇ Following the outcome of the McCloud case, providing understanding and training to Employers and Committee/Board members on the impact.
- Employer Flexibilities Policies
  - ◇ New Flexibilities have been introduced to the Regulations allowing for: revisions to Scheme Employer contributions between Valuations; spreading of exit payments; and deferred debt agreements.
  - ◇ The Fund will prepare Employer Flexibilities Policies following the issue of Statutory Guidance.

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### Investments



### Objectives

- Maximise the returns from investments within reasonable risk parameters;
- Ensure the Fund's investments are properly managed before, during and after pooling is implemented; and
- Ensure investment issues are communicated appropriately to the Fund's stakeholders.



# Essex Pension Fund

## Business Plan

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Area of Activity including Strategic BAU	2021/2022	2022/23	2023/24
<b>Policies and Publications</b>			
Investment Strategy Statement review including Responsible Investment (RI) Policy	-	-	Triennial
Investment Managers Engagement Strategy	Develop/Implement	-	-
<b>Reviews</b>			
Treasury Management Strategy	Annual	Annual	Annual
Strategic Asset Allocation	Biannual	Biannual	Biannual
Asset/Liability Study	-	-	Triennial
ACCESS collaboration	Ongoing	Ongoing	Ongoing
Individual Manager review (on an exceptional basis)	Quarterly	Quarterly	Quarterly
CEM Benchmarking/Cost Transparency	Annual	Annual	Annual
Signatory of the Financial Reporting Council (FRC) UK 2020 Stewardship Code	Develop / Implement	Annual	Annual
Annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy	Commence	Implement	Review
Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures (TCFD))	Develop	Implement	-
<b>Procurements</b>			
Institutional Investment Consultant procurement	Implement	-	-
Institutional Investment Consultant – CMA review	Annual	Annual	Annual
Independent Investment Adviser review	-	-	Review
Global Custody procurement	Implement	-	-
External RI Adviser Exploration	Commence	-	-

# Essex Pension Fund

## Business Plan

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### Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities and BAU, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.10
Head of Essex Pension Fund	0.25
Investment Team	2.25
Funding/Employer Team	-
Governance Team	-
Administration Team	-
Technical Team	0.20
Systems Team	0.20
<b>Total</b>	<b>3.00</b>

\*These are estimated figures and are subject to change.

### Support from Third Party Suppliers

#### External Third Party Support

To be confirmed - Institutional Investment Consultant (IIC)
Mark Stevens - Independent Investment Adviser (IIA)
Northern Trust - The Fund's Global Custodian*
Barnett Waddingham LLP - Fund Actuary

\*Pending outcome of procurement during 2021

### Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £810k\*.

\*includes participation within ACCESS

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### Training

Training offered/delivered to our Committee/Board Members to increase knowledge, enabling robust decision making:

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Bitesize Training by Asset Class	Quarterly	Quarterly	Quarterly
Investment Strategy Statement Training	-	-	Triennial
Responsible Investment Training	Ongoing	Ongoing	Ongoing
Asset / Liability Study Training	-	-	Triennial
Review Investment Management Fees / Cost Transparency	Annual	Annual	Annual
Market Commentary	Quarterly	Quarterly	Quarterly
Treasury Management (Cash Flow) Training	As required	As required	As required
LAPFF Members Meetings	Quarterly	Quarterly	Quarterly
LAPFF Annual Conference	Annual	Annual	Annual
LGC Investments and Pensions Summit	Annual	Annual	Annual
LGC Investment Seminar	Annual	Annual	Annual
Investment & Training Seminar	As required	As required	As required
ACCESS Investor Days/Training Requirements in Relation to Pooling	Biannual	Biannual	Biannual
Any other investment training as necessary	As required	As required	As required

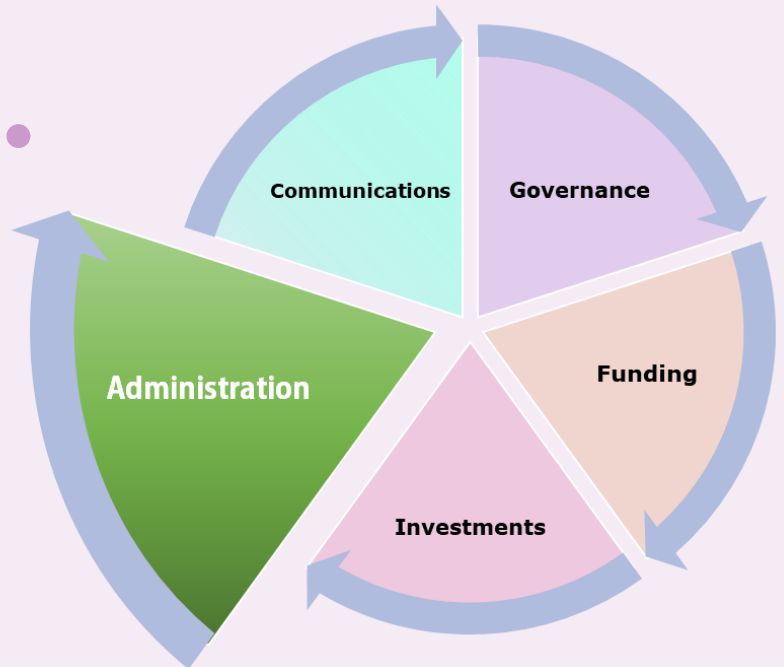
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### On the Horizon

- Structural Reform of the LGPS: Pooling of Investments.
  - ◇ Working collaboratively with ACCESS (which is made up of 10 other local authorities) to pool the Fund's investments. Over the coming months ACCESS will be working towards establishing suitable solutions to pool the illiquid assets of the funds.
  - ◇ MHCLG is expected to issue further Pooling Guidance during 2021/22 which may impact on the current arrangements.
- Responsible Investment
  - ◇ Continue developing the Fund's approach to responsible investment and engagement, working collaboratively with ACCESS, the Local Authority Pension Fund Forum and the Fund's Investment Managers.
- Pension Scheme Act
  - ◇ The Pension Schemes Act currently being introduced by the Government creates a legislative framework to support the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).
  - ◇ In line with the TCFD recommendations, private schemes with assets of £1bn or more will be required to prepare and publish a report disclosing how the scheme complies with the TCFD recommendations annually. MHCLG is expected to consult on the specific LGPS requirements that this will introduce.

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### Administration



### Objectives

- Deliver a high quality friendly and informative service to all beneficiaries and Employers at the point of need;
- Ensure contribution income is collected from the right people at the right time in the right amount;
- Ensure benefits are paid to the right people at the right time in the right amount; and
- Ensure the Fund Employers are aware of and understand their roles and responsibilities, and carry out their functions in line with legislation, guidance and the Fund's agreed policies and procedures.

# Essex Pension Fund

## Business Plan

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Area of Activity including Strategic BAU	2021/22	2022/23	2023/24
<b>Policies and Publications</b>			
Administration Strategy	Review*	-	-
<b>Review</b>			
LGPS Reform – Planning for Administration changes	Ongoing	Ongoing	Ongoing
Pensions Single payments**	Commence	Implement	-
Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online	Ongoing	Ongoing	Implement
Administering Authority Discretions	-	Review	-
McCloud Preparation/Implementation	Implement*	Ongoing	Ongoing
Monthly Returns Digital Transformation	Commence	Review	-
TPR Data Improvement Plan	Review	Ongoing	Ongoing

\*Pending Regulatory Change

\*\*Dependent on the new ECC Corporate Systems project being implemented

### Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.10
Head of Essex Pension Fund	0.25
Investment Team	-
Funding/Employer Team	-
Governance Team	1.00
Administration Team	33.50
Technical Team	4.40
Systems Team	4.25
<b>Total</b>	<b>43.50</b>

\*These are estimated figures and are subject to change.

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# Essex Pension Fund

## Business Plan

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### Support from Third Party Suppliers

#### External Third Party Support

Aon - Independent Governance Administration Adviser (IGAA)
Civica - Administration System
Adare - Printing
Faraday - Tracing Bureau
Barnett Waddingham LLP - Fund Actuary

### Budget

To deliver the above activities in 2021/22, the budget allocated for third party support is £680k.

### Training

Training offered/delivered to our Committee/Board Members/Fund Employers/Fund Members to increase knowledge, enabling robust decision making:

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Road Shows / Surgeries	Ongoing	Ongoing	Ongoing
Annual Return Workshops	As required	As required	As required
Employer Online Workshops	As required	As required	As required
Any other administration / regulatory training as necessary	As required	As required	As required

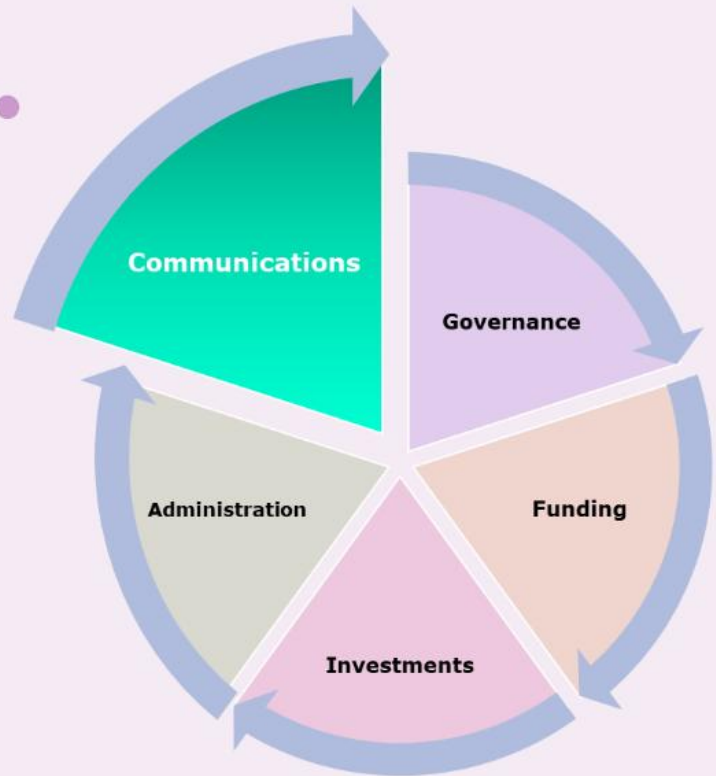
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### On the Horizon

- Data
  - ◇ There is increased scrutiny by the Government and TPR in regards to the data held by funds to guarantee its accuracy and completeness. The Fund will need to work collaboratively with its stakeholders to ensure the data held is up to date, accurate and complete.
- McCloud / Goodwin / Cost Cap
  - ◇ Due to the court cases and resulting scheme changes, benefits will need to be retrospectively recalculated for thousands of members, which will increase the volume of work for the Fund and will impact costs. It will also impact Employers in having to check and provide missing data. Also, the Cost Cap mechanism was paused because of McCloud but the Government has indicated it will re-run the Cost Cap mechanism once remedy for McCloud has been decided. This could mean further retrospective scheme changes, in addition to those required as a result of McCloud and Goodwin.
- Pensions Dashboard
  - ◇ The Pension Schemes Act currently being introduced by the Government creates a legislative framework to support the introduction of pension dashboards. Onboarding to dashboards is not expected to start until 2023 but schemes will need to make sure that their data is consistent with the required data standards.



## Communications



### Objectives

- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally;
- Ensure our communications are useful and easy to follow;
- Deliver information in a way that suits all types of stakeholders including providing more accessibility through greater use of technology; and
- Aim for full appreciation of the pension scheme benefits and changes to the Scheme by all the Scheme Members, prospective Scheme Members and Employers.

# Essex Pension Fund

## Business Plan

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Area of Activity including Strategic BAU	2021/22	2022/23	2023/24
<b>Policies and Publications</b>			
Communications Policy	-	Review	-
Stakeholder Strategy	Develop	Implement	Review
<b>Reviews</b>			
LGPS Reform	Ongoing	Ongoing	Ongoing
Greater Digitalisation of the Fund including the exploration of Electronic Communications	Ongoing	Ongoing	Ongoing
McCloud Implications	Ongoing	Ongoing	Ongoing
Social Media Channel	Implement	-	-
Review of website*	Commence	Implement	Review
Annual Benefit Statements	Annual	Annual	Annual
Fund Surveys	-	Review	-

\*Realignment of timetable due to Covid-19

### Internal Staff Resources and Support from Third Party Suppliers

To deliver the above activities, the internal staff resources and support from third party suppliers are as follows:

Internal Staff Resources	FTE*
Interim Director for Essex Pension Fund	0.10
Head of Essex Pension Fund	-
Investment Team	0.10
Funding/Employer Team	0.20
Governance Team	-
Administration Team	0.25
Technical Team	1:00
Systems Team	0.15
<b>Total</b>	<b>1.80</b>

\*These are estimated figures and are subject to change.

# Essex Pension Fund

## Business Plan

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### Support from Third Party Suppliers

#### External Third Party Support

Aon - Independent Governance Administration Adviser (IGAA)
Barnett Waddingham LLP - Fund Actuary
To be confirmed - Institutional Investment Consultant (IIC)

### Budget

To deliver the above activities in 2021/22, the budget allocated is included in Operational Budget.

### Training

Training offered/delivered to our Committee/Board Members to enabling robust decision making:

Training	2021/22	2022/23	2023/24
Formal Induction/Refresher training to ensure the PSB/ISC can carry out its role as decision maker	Implement	As required	As required
Formal Induction/Refresher training to ensure the PAB can carry out its role	As required	As required	As required
Ad hoc Communications Training	Ongoing	Ongoing	Ongoing
Media training	As required	-	-

\*Additional training relating to communications is covered under other areas.

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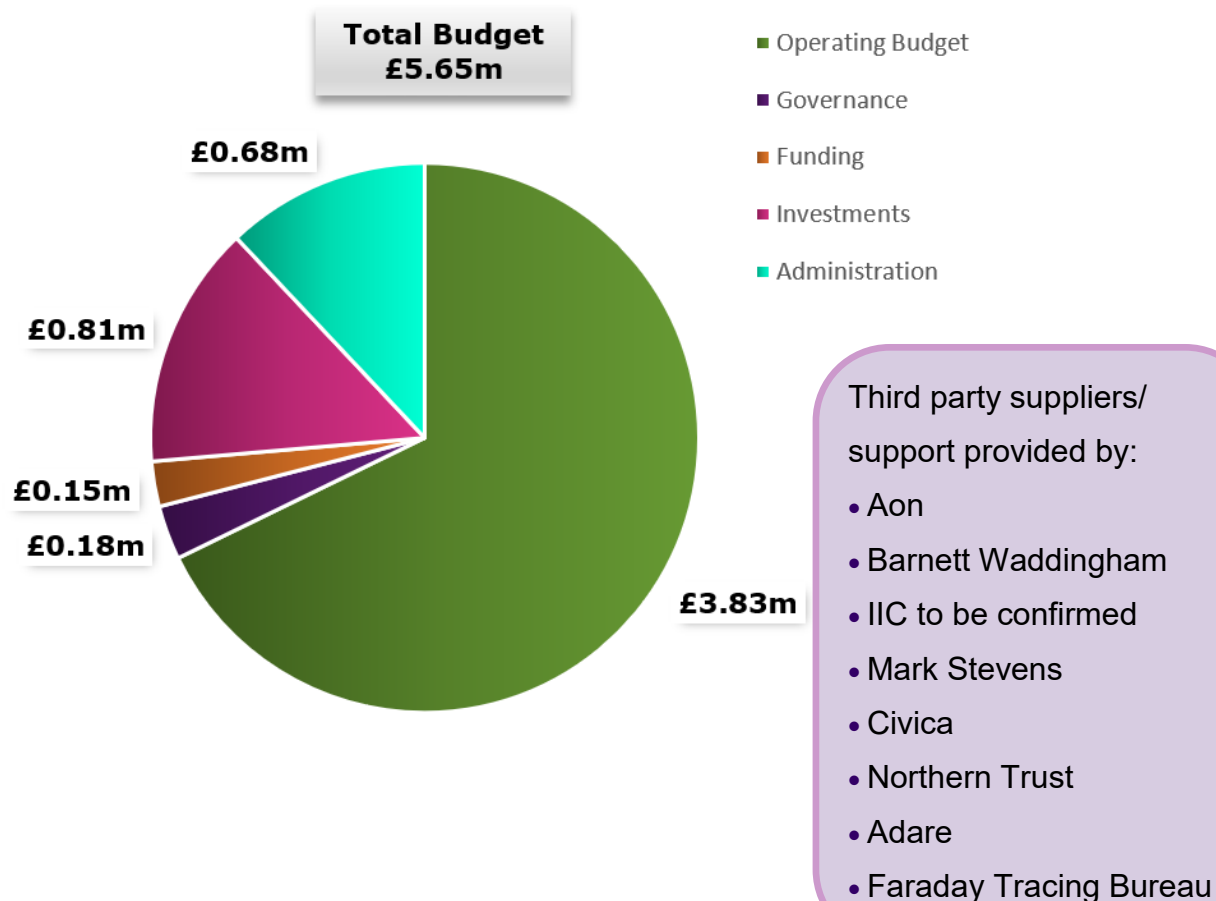
### On the Horizon

- McCloud / Goodwin
  - ◇ Due to the court cases and expected retrospective changes to benefits, significant communications work will be needed to keep Scheme Members and Employers informed about the changes and the timetable for implementation. This could require significant staff resource and additional printing costs depending on the timing and complexity of the outcome of McCloud for the LGPS.
- Pensions Dashboard
  - ◇ The Pension Schemes Act currently being introduced by the Government creates a legislative framework to support the introduction of pension dashboards.
  - ◇ Onboarding to dashboards is not expected to start until 2023, and it will be a number of years before any dashboard is up and running, but the Fund is likely to need to communicate with Members in the run up and post implementation.

## Additional Information

### Budget

The 2021/22 operational and third party supplier support budget is shown below:



\*Investments excludes Investment Management Fees and associated expenses

# Essex Pension Fund

## Business Plan

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### Key Policy Documents

For further information on the Essex Pension Fund, please visit our website



[www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)

- Administration Strategy
- Annual Report & Accounts
- Business Continuity Policy
- Communications Policy
- Conflict of Interest Policy
- Funding Strategy Statement
- Governance Policy & Compliance Statement
- Investment Strategy Statement
- Knowledge and Skills Strategy
- Policy for Recording and Reporting Breaches of the law
- Risk Strategy

### Further Information

If you require further information about anything in or related to this Business Plan, please contact:

**Jody Evans, Interim Director for Essex Pension Fund**

**Email:** *Compliance.team@essex.gov.uk*

**Essex Pension Fund  
Seax House  
Chelmsford  
Essex  
CM1 1QH**

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04b</b>
<b>Date: 17 March 2021</b>	

## **Governance Policy and Compliance Statement**

Report by the Compliance Manager in consultation with the Independent Governance & Administration Adviser (IGAA)

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Enquiries to Amanda Crawford on 03330 321763

### **1. Purpose of the Report**

- 1.1 To provide the Board with the revised Governance Policy and Compliance Statement for approval.

### **2. Recommendation**

- 2.1 That the Board **approve** the revised Governance Policy and Compliance Statement and note the content of the report.

### **3. Background**

3.1 Regulation 55 of the LGPS Regulations 2013 requires each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if 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 Scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the local pension board.

3.2 Each Administering Authority is required to:

- keep the statement under review;
- make such revisions as are appropriate following a material change;
- consult such persons as we consider appropriate; and
- publish any revised statement.

### **4. Review of the Governance Policy and Compliance Statement**

4.1 The last review was undertaken at the 04 March 2020 PSB meeting whereby the Board agreed the revised Governance Policy and Compliance Statement which incorporated revised Terms of References (TORs) for each of the PSB, Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) that were approved by Full Council on 08 October 2019.

4.2 Fund Officers, in consultation with the IGAA, have further reviewed the Governance Policy and Compliance Statement and has been provided at Appendix A for approval by the Board. The main revisions include:

- revised functions delegated to the ACCESS Joint Committee as approved by the ISC and Full Council along with the other ten Funds in



the Pool which have been incorporated within the Inter-Authority Agreement;

- the addition of an appendix to include responsibilities of other relevant parties;
- review of the Compliance Statement where minor amendments were made whilst still achieving full compliance; and
- further minor grammatical amendments throughout the Policy document.

4.3 Once approved, the Governance Policy and Compliance Statement will be published on the Fund's website.

## **5. Terms of Reference Review**

5.1 In addition, a further review of the PSB, ISC and PAB TORs have been reviewed and have been provided at Appendices B, C and D respectively for approval by the Board. The revisions made include:

- the movement of the PAB section within the PSB and ISC TORs to the bottom section;
- the inclusion of quorate levels within the ISC TOR; and
- minor grammatical amendments throughout all TORs.

## **6. Link to Essex Pension Fund Objectives**

6.1 Reviewing and updating the Governance Policy and Compliance Statement will assist the Board in achieving the following Fund objectives:

- ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice; and
- act with integrity and be accountable to our stakeholders.

## **7. Risk Implications**

7.1 Failure to review and update the Governance Policy and Compliance Statement could result in:

- non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss; and
- failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

## **8. Communication Implications**

- 8.1 The Governance Policy and Compliance Statement will be published on the Fund's website.
- 8.2 Other than ongoing reporting to the Board, there are no communication implications.

## **9. Finance and Resource Implications**

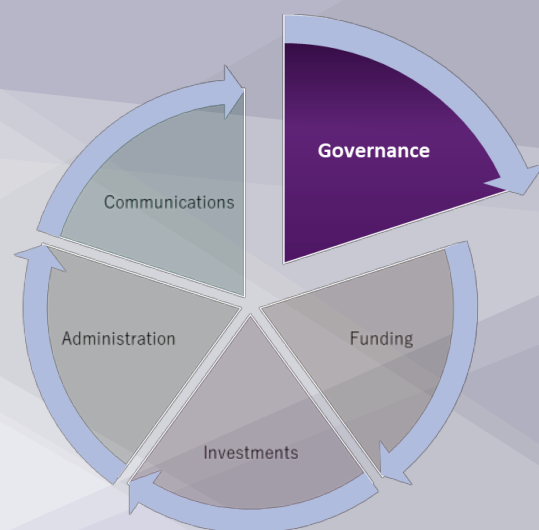
- 9.1 None.

## **10. Background Papers**

- 10.1 EPF Policies, PSB 06, 04 March 2020.
- 10.2 ECC Constitution.

# Governance Policy and Compliance Statement

March 2021



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## Essex Pension Fund Governance Policy and Compliance Statement

### Introduction and Legal Requirements

Essex County Council is the Administering Authority responsible for maintaining and managing the Essex Pension Fund on behalf of its stakeholders; the Scheme Members and Employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.

Flexibility is provided for each Administering Authority to determine their own governance arrangements. However, the LGPS Regulations (regulation 55 of the LGPS Regulations 2013) require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:

- a. the terms, structure and operational procedures of the delegation;
- b. the frequency of any committee or sub-committee meetings;
- c. whether such a committee or sub-committee includes representatives of Scheme Employers or Members, and if so, whether those representatives have voting rights;
- d. the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying; and
- e. details of the terms, structure and operational procedures relating to the local pension board.

Each Administering Authority is required to:

- a. keep the statement under review;
- b. make such revisions as are appropriate following a material change in respect of any of the matters mentioned in points a. to e. above; and
- c. if revisions are made, publish the statement as revised.

In reviewing and making revisions to the statement, the Administering Authority must consult such persons as it considers appropriate.

This document is the Governance Policy and Compliance Statement for Essex Pension Fund that has been prepared to meet the requirement of the LGPS Regulations. The Governance Compliance Statement noted in point d. above is included as Annex A.

### About the Essex Pension Fund ('the Fund')

Under the Regulations, Essex County Council is required to maintain a pension fund ("the Fund") for its employees and those of other Scheme Employers within its area.

Essex County Council therefore administers the Fund for its own employees and those of the 14 Borough, City, District and Unitary Councils, and numerous other bodies. In total there are over 700 separate Employers participating in the Fund. The Fund does not provide pensions for

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## Essex Pension Fund Governance Policy and Compliance Statement

teachers, fire-fighters and police officers, for whom separate arrangements exist but includes administrative and support staff for those organisations.

Membership Summary as 31 March 2020	
Active Members	57,498
Pensioners/Dependants	44,682
Deferred* Members	69,857
<b>Total</b>	<b>172,037</b>

\* Deferred pensioners are former active members who have chosen not to transfer their pension rights but retain their pension rights in the Fund until they are due for payment.

### Aims and Objectives

In relation to the governance of the Fund we will aim to:

- provide a high-quality service whilst maintaining value for money;
- ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice;
- ensure the Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise;
- evolve and look for new opportunities, ensuring efficiency at all times;
- act with integrity and be accountable to our stakeholders;
- understand and monitor risk and compliance;
- continually measure and monitor success against our objectives; and
- ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

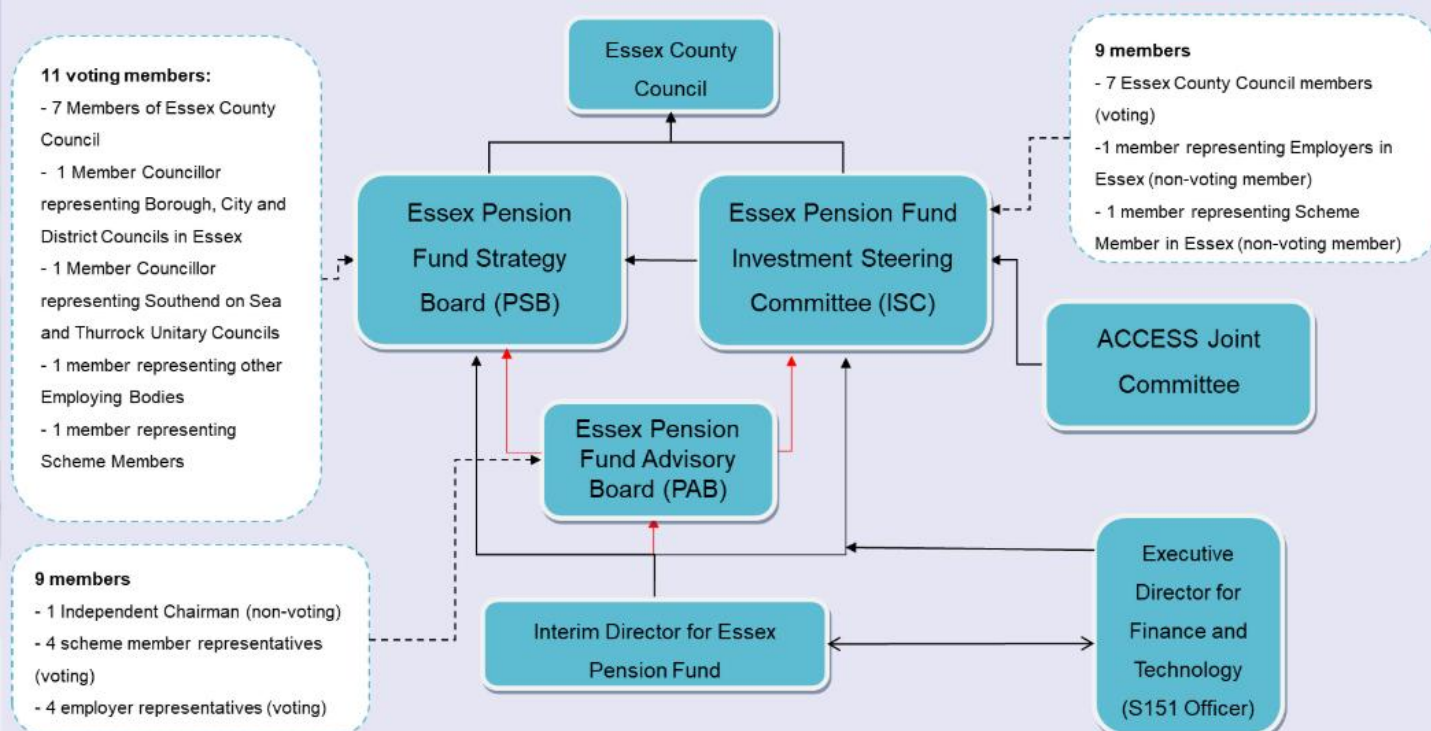
# Essex Pension Fund

## Governance Policy and Compliance Statement

### Governance Structure

The Fund's governance structure is illustrated below. This structure relates to the Administering Authority responsibilities only. Essex County Council is also an Employer within the Fund. A separate governance structure and Scheme of Delegation is in place in relation to Essex County Council's employer pension responsibilities:

Full details of the delegations from Essex County Council as Administering Authority are available from <https://www.essex.gov.uk/our-constitution>. A summary of each of the key Boards/Committee and delegations are set out below:



### Decision Making Bodies

The Fund's Decision Making Bodies are the Essex Pension Fund Strategy Board (PSB) and the Investment Steering Committee (ISC). The decisions these bodies are required to make are detailed within the Role and Function sections overleaf.

# Essex Pension Fund

## Governance Policy and Compliance Statement

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### Essex Pension Fund Strategy Board

#### Membership

There are 11 Members of the Essex Pension Fund Strategy Board (PSB) including:

All Voting* Members	How Nominated or Appointed	Term of Office
7 Members of the Council	Appointed by the Council	1 year as appointed at the annual meeting of the Council or as changed from time to time by the Constitution
1 Member Councillor representing Borough, City and District Councils in Essex	Nominated by Essex Borough and District Leaders/Chief Executives	4 years from the relevant Borough, City and District Council elections
1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils	Nominated jointly by and from either Southend-on-Sea and Thurrock Councils	4 years from the relevant Unitary Council elections
1 Member representing other Employing Bodies	Nominated by other employers at the employer forum or such other process as agreed by the Chairman and the Interim Director for the Fund and must be in the employment of or hold office in relation to a Fund Employer	6 years from date of appointment
1 Member representing Scheme Members	Nominated by Unison and must be a member of the Fund	6 years from date of appointment

\*voting is subject to other provisions within this document.

The Constitution does not permit non-Essex County Council Members to have substitutes.

#### Quorum

A meeting of the PSB shall only be quorate when:

- At least 4 members are present, and
- At least 3 of the members present are Essex County Council members.

### **Term of Office**

The Term of Office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any PSB Member may be re-appointed for further terms following the appropriate appointment process.

A Member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the PSB if they cease to hold the office or employment which qualifies them for the role.

### **Role and Function**

The PSB will exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Essex Pension Fund except where they have been specifically delegated by the Council to another Committee or to an Officer. Its principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund Members. In doing so, the PSB will take account of advice from the Director for Essex Pension Fund and the Fund's professional Advisers.

The role of the PSB will include the following specific functions:

- (i) to monitor and oversee the work of the Fund Investment Steering Committee (ISC) through its quarterly reports;
- (ii) to ensure the proper administration of the Fund, including compliance with the LGPS and other legislation, ensuring that it delivers best value and compliance with statutory and non-statutory best practice guidance where considered appropriate;
- (iii) to determine, review and monitor the Fund's aims, objectives, strategies, compliance statements and procedures relating to the funding strategy, including approving its Funding Strategy Statement;
- (iv) to make arrangements for the actuarial valuation, ongoing monitoring of liabilities and to undertake any asset/liability and other relevant studies as required;
- (v) to determine, review and monitor the Fund's policy in regard to Employer admission and cessation arrangements;
- (vi) to determine, review and monitor the Fund's other aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund, including but not limited to administration, communications and governance;
- (vii) to determine how the various Administering Authority discretions are operated for the Fund;
- (viii) to agree Administering Authority responses to consultations by Central Government, professional and other bodies;



# Essex Pension Fund

## Governance Policy and Compliance Statement

- (ix) to consider any views expressed by employing organisations and staff representatives;
  - (x) to both appoint and terminate the appointment of the Fund's advisers, including actuaries, governance advisers and specialist lawyers (where required) and periodically to review those arrangements;
  - (xi) to agree the Fund's business plans and monitor progress against them;
  - (xii) to consider the Fund's financial statements and to approve an Annual Report on the activities of the Fund in line with legislation and guidance; and
  - (xiii) to agree a Knowledge and Skills Strategy and ensure its requirements are adhered to.
- No matters relating to Essex County Council's responsibilities as an Employer participating in the Essex Pension Fund are delegated to the PSB.

### Investment Steering Committee

#### Membership

There are 9 Members of the Investment Steering Committee (ISC).

Members	How Nominated or Appointed
7 Members of the Council (voting members)	All Council Members of the PSB
1 Member representing Employers in Essex (non-voting member)	The Member of the PSB nominated by Essex Borough, City and District Leaders/Chief Executives
1 Member representing Scheme Members (non-voting member)	The Member of the PSB nominated to represent Scheme Members

All ISC Members shall be drawn from PSB membership as follows:

The Chairman and Vice-Chairman of the ISC shall be the Chairman and Vice-Chairman of the PSB respectively.

#### Quorum

A meeting of the ISC shall only be quorate when:

- i) At least 4 members are present, and
- ii) At least 3 of the members present are Essex County Council members.

### **Term of Office**

The Term of Office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any ISC Member may be re-appointed for further terms following the appropriate appointment process.

A Member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the ISC if they cease to hold the office or employment which qualifies them for the role.

### **Role and Function**

- (i) to approve and review the asset allocation benchmark for the Fund;
- (ii) to determine, review and monitor the Fund's aims, objectives, policies, strategies and procedures relating to investment of the Fund's assets including the Investment Strategy Statement and environmental, social and governance matters;
- (iii) to appoint and terminate Investment Managers (in relation to non-pooled assets), Custodians and Advisers to the Fund solely relating to investment matters;
- (iv) In relation to the LGPS ACCESS Pension Fund Pool;
  - a) to consider pooling matters including recommendations by the ACCESS Joint Committee;
  - b) to determine the transition of the assets held by the Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
  - c) to appoint the elected Councillor for Essex County Council to the Joint Committee as and when required;
  - d) to advise the representative on the Joint Committee on such matters as may be required;
  - e) to monitor the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee or ASU, as appropriate;
  - f) to receive and consider reports from the LGPS ACCESS Joint Committee and the Operator;
  - g) to undertake any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required.
- (v) to assess the quality and performance of each Investment Manager and the relevant ACCESS Operator annually in conjunction with the Fund Investment Advisers and the Section 151 Officer;

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## Essex Pension Fund Governance Policy and Compliance Statement

- (vi) to monitor compliance of the investment arrangements with the Investment Strategy Statement;
- (vii) to monitor and review the Fund's compliance with the LGPS Scheme Advisory Board adopted Code of Transparency and UK Stewardship Code;
- (viii) to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;
- (ix) to approve and to review annually the content of the Pension Fund Treasury Management Strategy; and
- (x) to submit quarterly reports on its activities to the PSB.

### Essex Pension Fund Advisory Board (Local Pensions Board)

#### Membership

The Essex Pension Fund Advisory Board (PAB) shall consist of 9 Members and be constituted as follows:

Members	How Nominated or Appointed
4 Employer made up of one from each of the following groups of Employers in the Fund:	Essex County Council (an elected Member)
	the District, City and Borough Councils of Essex (an elected Member)
	Southend-on-Sea and Thurrock Unitary Authorities (an elected Member)
	all other Employers
4 Scheme Member representatives of which:	one will be nominated by the trade unions
	the rest will be drawn from the total Fund's active, deferred and pensioner membership
1 Independent Chairman	through appointment process

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## Essex Pension Fund Governance Policy and Compliance Statement

### Quorum

A meeting of the PAB shall only be quorate when:

- i) 4 Members are present including at least the Chairman or Vice-Chairman, 1 Employer representative and 1 Scheme Member representative.

A meeting that is (or becomes at any point) inquorate will only continue if the Chairman (or Vice-Chairman) decides it should and in relation to items of business as agreed by the Chairman (or Vice-Chairman).

### Term of Office

- a. Employer representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer in the employment of that Employer, no longer holds office in relation to that Employer or is no longer an elected member of that Employer, as appropriate.
- b. Scheme Member representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer a trade union representative or representative of Fund members (in accordance with the criteria set by the Appointments Panel).
- c. The Independent Chairman's appointment will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Appointments Panel.
- d. Any Board member, including the Independent Chairman, may be re-appointed for further terms following an appointment process.

### Role and Function (Remit)

The Board:

- a) shall assist the Scheme Manager with such matters as the LGPS regulations and guidance may specify;
- b) shall be a "critical friend" to the PSB and the ISC;
- c) may provide oversight of decisions made by the PSB and ISC to ensure that due process has been followed;

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## Essex Pension Fund Governance Policy and Compliance Statement

- d) may review any decision made by or on behalf of the Scheme Manager or any action taken by the Scheme Manager;
- e) shall comment on and assist in identifying and managing breaches of the law in relation to Fund matters;
- f) at the invitation of the PSB, may also undertake other tasks, including (but not limited to):
  - assisting the PSB by reviewing aspects of the performance of the Fund – for example by reviewing the risk management arrangements within the Fund (although the PSB will remain accountable for risk management) ;
  - reviewing administration standards or performance or review efficacy of Fund member and employer communications;
  - reviewing published policies to ensure they remain fit for purpose and are complete;
  - reviewing Fund annual reports;
  - being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and Fund members; and
  - discussing strategic matters such as communications where requested by the PSB.
- g) shall provide such information as is requested to other bodies including but not limited to the LGPS Scheme Advisory Board and The Pensions Regulator (TPR) and provide an annual report of the work of the Board to the Scheme Manager;
- h) will prepare a record of each meeting which will normally be published no later than 12 working days following the meeting using the appropriate systems of the Scheme Manager; and
- i) must provide a record of each meeting to the following PSB meeting and may make reports and recommendations to the PSB insofar as they relate to the role of the Board (see "Reporting and Escalation within the full Terms of Reference").

The Board is not a decision-making body in relation to the management of the EPF but makes recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers. The Board operates independently of the PSB.

### Delegations to Senior Officers

#### To the Director, Essex Pension Fund:

- (i) To be responsible for the day to day operational management of Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the PSB or ISC;
- (ii) To agree the terms and payment of bulk transfers to and from the Fund;
- (iii) To decide any other Fund related urgent matter, that might otherwise be considered by the PSB or ISC, after consultation with the Chairman of the PSB.

Note: The Director, Essex Pension Fund is not empowered to change the managers of the Fund.

#### Executive Director, Finance and Technology (S151 Officer):

To be responsible for providing advice and proposing recommendations to the PSB, ISC and the Director, Essex Pension Fund, and to appoint Essex County Council's officers to the ACCESS Officer Working Group as and when required.

Note: The Executive Director, Finance and Technology is not empowered to change the managers of the Fund or, unless the Chief Executive agrees.

#### Director, Legal and Assurance:

To discharge the functions of the Council with respect to the pension's complaints procedure.

#### Responsibilities of other relevant parties

The responsibilities of other relevant parties are set out in Annex B.

# Essex Pension Fund

## Governance Policy and Compliance Statement

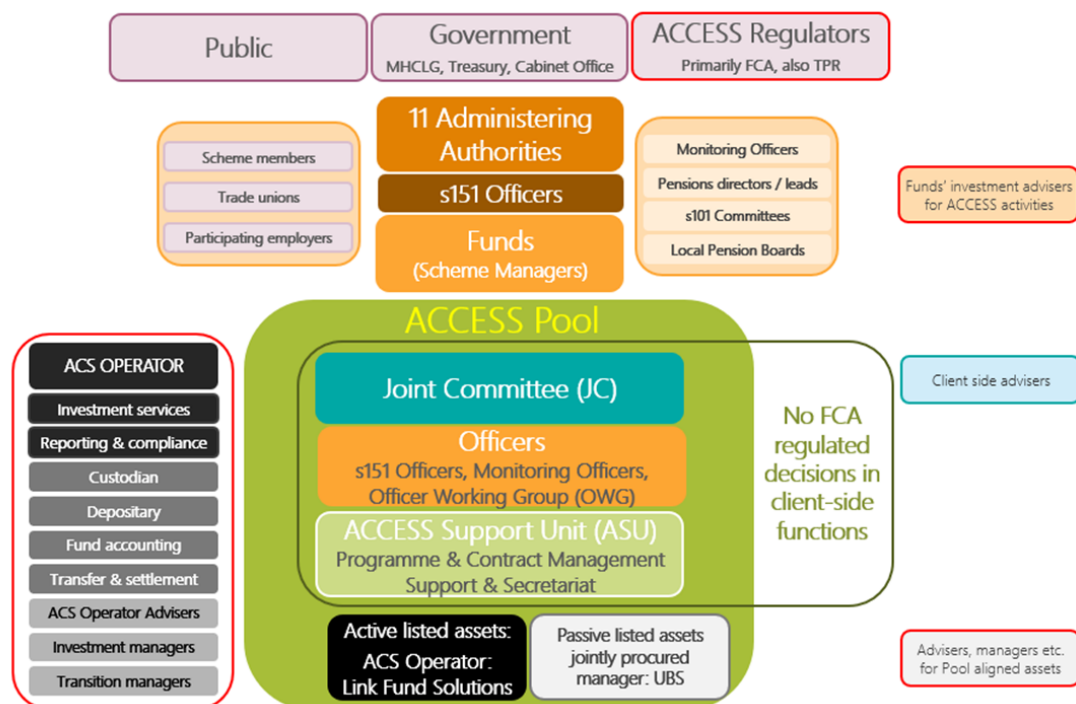
### ACCESS Joint Committee

The ACCESS<sup>1</sup> Joint Committee is composed as follows:

- Cambridgeshire County Council
- East Sussex County Council
- Essex County Council
- Hampshire County Council
- Hertfordshire County Council
- Isle of Wight Council
- Kent County Council
- Norfolk County Council
- Northamptonshire County Council
- Suffolk County Council
- West Sussex County Council

The Joint Committee within the ACCESS pool is made up of the 11 Chairs of the pension committees of the 11 participating LGPS funds. There are two other bodies that are part of this structure; the Officer Working Group comprised of officers advising the Joint Committee and the ACCESS Support Unit (ASU)<sup>2</sup>, providing business support functions.

The following diagram details the structure:



<sup>1</sup>A collaboration of central, eastern and southern shires, formed by 11 LGPS Funds, in response to the Government's investment reform criteria. <sup>2</sup>Employees of any Council employed at the request of the Joint Committee wholly or mainly for the purposes of implementing the 'agreement' of the Pool.



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## Essex Pension Fund Governance Policy and Compliance Statement

The functions that have been delegated to the ACCESS Joint Committee are as follows:

### **Operating the Pool and taking Advice:**

- i. The Joint Committee shall consult with and consider the advice of the Section 151 Officers Group (and, where requested, the Monitoring Officers and from appropriate professional advisers) in discharging its functions, recording, if appropriate, where such advice is not followed and the rationale for not doing so. It may decide to procure such professional advisers on such terms as it thinks fit. Accordingly, any procurement of advisers must comply with the constitution of the Council designated to undertake the procurement and that Council will enter into a contract with the appointed adviser on behalf of the Councils.
- ii. The Joint Committee shall decide which functions shall be performed by the ASU.
- iii. The Joint Committee shall at all times have regard to the principles set out in Schedule 1.

### **Functions in relation to the Operator(s)<sup>3</sup>:**

- i. Specifying Operator services: deciding, in consultation with the Councils, the specification of Services and functions that each Operator will be required to deliver including the sub-funds and classes of investments required to enable each Council to execute its investment strategy;
- ii. Procuring an Operator: agreeing the method and process for the procurement and selection of one or more Operators;
- iii. Appointing an Operator: making a recommendation to the Councils as to the identity of each Operator and the terms upon which each Operator is to be appointed;
- iv. Reviewing the Performance of an Operator: keeping the performance of each Operator under review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the ASU to enable it to do so including but not limited to:
  - a. the performance of an Operator against its contractual requirements and any other performance measures such as any Service Level Agreement (SLA) and key performance indicators (KPIs) and officer recommendations on any remedial action;
  - b. sub-fund investment performance;
  - c. investment and operational costs including the annual review of investment manager costs; and
  - d. performance against the strategic business plan agreed by the Councils.
- v. Managing the Operator(s): The Joint Committee shall:

<sup>3</sup>The person appointed by the Councils from time to time to provide the Services.



- a. make recommendations to the Councils on the termination or extension of the Operator Agreement(s);
- b. make decisions about any other action to be taken to manage an Operator Agreement including the giving of any instruction or the making of any recommendation to the relevant Operator including but not restricted to recommendations on investment managers (within any regulatory constraints that may apply); and
- c. make recommendations to the Councils about appropriate arrangements to replace an Operator Agreement on its termination.

### **Functions in relation to Management of Pool Assets:**

- vi. The Joint Committee shall make recommendations to the Councils on the strategic plan for transition of assets that are to become Pool Assets.

### **Functions Concerning Pool Aligned Assets:**

- vii. The Joint Committee shall make recommendations to the Councils about Pool Aligned Assets in accordance with this Agreement or any other delegation to the Joint Committee by the Councils.
- viii. Specifying services of Pool Aligned Assets Provider(s): deciding, in consultation with the Councils, the specification of Services which any Pool Aligned Assets Provider will be required to deliver including the sub-funds and classes of investments required to enable each Council to execute its investment strategy.
- ix. Procuring a Pool Aligned Assets Provider: agreeing the method and process for the procurement and selection of one or more Pool Aligned Assets Providers.
- x. Appointing Pool Aligned Assets Providers: making a recommendation to the Councils as to the identity of each Pool Aligned Assets Provider and the terms upon which each Pool Aligned Assets Provider is to be appointed.
- xi. Reviewing the Performance of a Pool Aligned Assets Provider: keeping the performance of each Pool Aligned Assets Provider under review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the ASU to enable it to do so including but not limited to:
  - a. the performance of a Pool Aligned Assets Provider against its contractual requirements and any other performance measures such as any Service Level Agreement ("**SLA**") and key performance indicators ("**KPIs**") and officer recommendations on any remedial action;
  - b. investment performance of the Pool Aligned Assets Vehicle(s) or sub-funds, as appropriate;

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## Essex Pension Fund Governance Policy and Compliance Statement

- c. investment and operational costs including the annual review of investment manager costs;
- d. performance against the strategic business plan agreed by the Councils.

### Functions concerning Business Planning and Budget:

- xii. Having taken into account of any advice from the Section 151 Officers Group (or, where relevant, recording the rationale for not following such advice), the Joint Committee shall:
  - a. make recommendations to the Councils about the annual strategic business plan for the Pool;
  - b. determine the budget necessary to implement that plan and meet the expenses of undertaking the Specified Functions (insofar as they will not be met by individual transaction costs paid by Councils to the Operator) in accordance with Schedule 5;
  - c. keep the structures created by the Agreement under review from time to time and make recommendations to the Councils about:
    - i. the future of the Pool;
    - ii. any changes to this Agreement; and
    - iii. the respective merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the Councils.

### Functions concerning communications:

- xiv. The Joint Committee may agree a protocol for communications in respect of the Pool with third parties, including the LGPS Scheme Advisory Board, other LGPS Administering Authorities, press and relevant Government departments.

### Review of this Agreement:

- xiii. The Joint Committee is required to undertake a review of this Agreement:
  - a. to be completed 18 months before the expiry of each and every Operator Agreement, including as a result of the exercise of any option to terminate an Operator Agreement;
  - b. whenever a Council gives notice of withdrawal under clause 12 of this agreement; or
  - c. at such times as a Council may request under clause 11 (*Variation of this Agreement*).

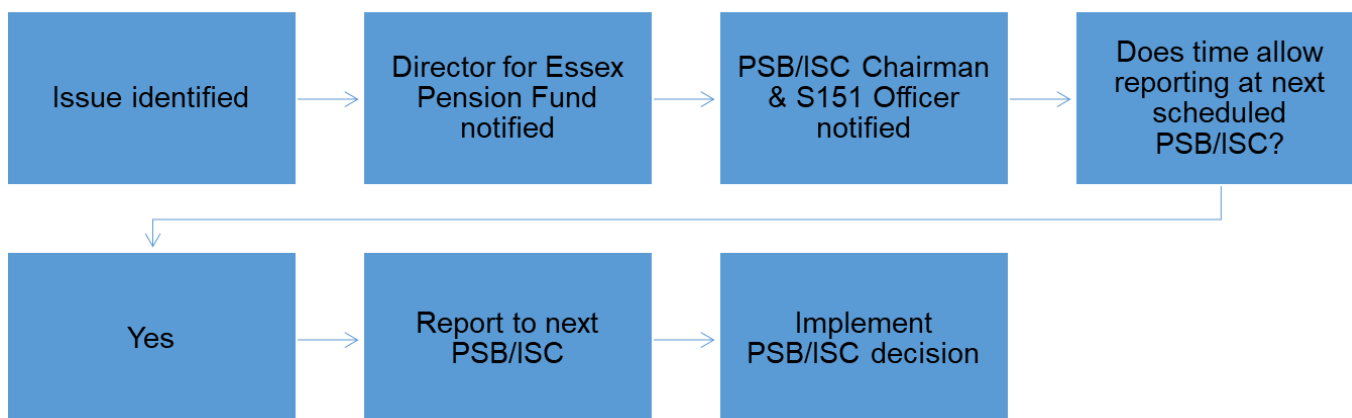
# Essex Pension Fund

## Governance Policy and Compliance Statement

### The Fund's decision-making process

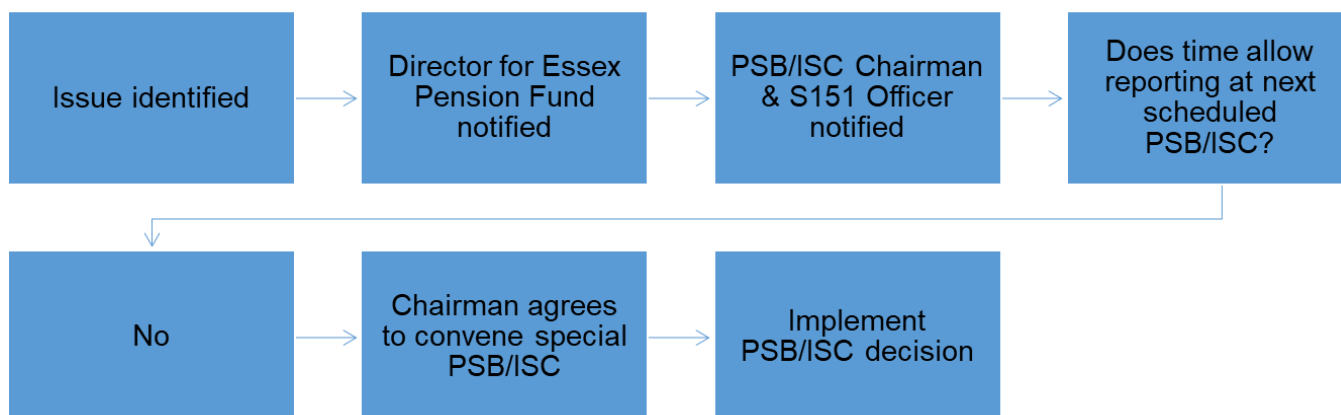
The majority of decisions required to be made by the PSB or ISC are tabled sufficiently in advance to allow members to receive appropriate briefings and make the decision within the normal meeting cycle.

Therefore, the following process is used when there is time to allow a decision to be made at the next scheduled ISC / PSB:



However, the Fund recognises that good governance requires that on occasion the PSB or ISC can respond to urgent matters by taking decisions promptly outside of the normal meeting cycle. On such occasions the following processes may be adopted.

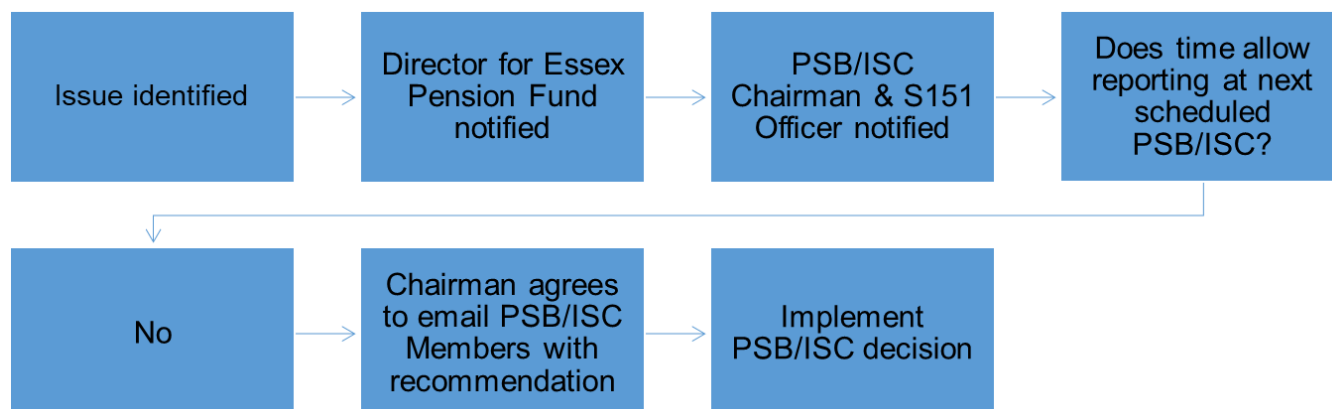
The process to be used when the Chairman agrees to convene a special PSB / ISC meeting:



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## Essex Pension Fund Governance Policy and Compliance Statement

The process when there is neither the time for the next scheduled meeting or to convene a special PSB / ISC meeting and the Chairman agrees to email PSB / ISC members with the recommendation:



### Training

Essex County Council recognises that effective management, administration and decision making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, PSB, ISC and PAB Members, Scheme Member and Employer representatives are expected to maintain an appropriate level of knowledge and skills to perform their role effectively, and to meet the requirements of overriding legislation, statutory and professional guidance.

All Board/Committee Members will receive appropriate training to fill any knowledge gaps identified and must seek to maintain their knowledge.

The Fund fully supports 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 II purposes. The Fund adopts the principles and requirements of these and the Fund will strive to achieve those through the use of a two-year rolling Training Plan together with regular monitoring and reporting.

The Fund's Knowledge and Skills Strategy can be found on the Fund's website – <https://www.essexpensionfund.co.uk/essex-pension-fund/about-us/forms-and-publications/>.

In addition, in accordance with the ACCESS Inter-Authority Agreement, the ACCESS Joint Committee is required to ensure that Members appointed to the Joint Committee undertake training to acquire and maintain knowledge and skills relevant to the performance of their duties.

### Conflicts of Interest

Conflicts of interest have always existed for those with LGPS Administering Authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the Scheme, as an elected member of an Employer participating in the LGPS or as an Adviser to more than one LGPS Administering Authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS Administering Authorities have both fiduciary and public law duties to act in the best interest of both the Scheme beneficiaries and participating Employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

The Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the PSB Members, ISC Members, PAB Members, Officers and Advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The Policy can be found on the Fund's website – <https://www.essexpensionfund.co.uk/essex-pension-fund/about-us/forms-and-publications/>.

### Monitoring Governance of the Essex Pension Fund

The Fund's governance objectives will be monitored on a regular basis. Specific measures and targets are agreed by the PSB and contained in the Fund's Business Plan and Scorecard which is regularly reported to the PSB and PAB.

### Key Risks

The key risks to the delivery of this Policy are contained within the Fund's Risk Register which can be found on the [essexpensionfund.co.uk](https://www.essexpensionfund.co.uk) website along with the Fund's approach to Risk Management which is documented within the Fund's Risk Strategy.

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## Essex Pension Fund Governance Policy and Compliance Statement

### Best Practice Compliance Statement

As required by LGPS Regulations the statement in Annex A compares the Fund's current governance arrangements with the best practice guidance issued by the Secretary of State for Housing, Communities and Local Government. As can be seen, the Fund is fully compliant with all requirements.

### Approval

The governance arrangements of the Fund were reviewed in 2019 following consultation with the PSB, ISC and PAB. This version of the Governance Policy and Compliance Statement was approved at the PSB on \*\*\*\*\*. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

### Further Information

If you require further information about anything in or related to this Governance Policy and Compliance Statement, please contact:

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Essex Pension Fund  
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CM1 1QH

## **Governance and Compliance Statement: Section 101 Committees**

As can be seen from the table below, the Fund's governance arrangements in respect of the PSB and ISC are fully compliant with the most recent guidance issued by the Secretary of State for Housing, Communities and Local Government<sup>4</sup> (issued in 2008):

Description of Principle	Essex Pension Fund's Position	Level of Compliance
<b>A - Structure</b>		
a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council	<p>The PSB was established as the Essex Pension Fund Board in 2008, changing its name on 1 April 2015 following the formation of the PAB. Its Terms of Reference is reviewed on an annual basis. It is an overarching body to oversee the functions of the Council as Administering Authority of the Fund, except where they have been specifically delegated to another committee or officers.</p> <p>Its functions include determining, reviewing and monitoring the Fund's aims and objectives relating to funding, investments, administration, communications and governance strategies, ensuring the proper administration of the Fund including compliance with legislation, and agreeing the Fund's business plans and financial statements.</p>	Fully compliant
b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Membership of the PSB is drawn from the Council as well as other scheme employers and member representatives. All representatives have full voting rights and receive appropriate training and development.	Fully compliant



Description of Principle	Essex Pension Fund's Position	Level of Compliance
c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels	In addition to the PSB the Fund has also put in place an ISC. The role of the ISC is to oversee and approve all matters related to the Fund's investments. This includes determining, reviewing and monitoring the aims and objectives of the investment strategy such as deciding asset allocation, and assessing the quality and performance of each Investment Manager and the ACCESS Operator. A report on the business of the ISC is put to every PSB.	Fully compliant
d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Membership of the ISC is drawn from the Council representatives of the PSB, all of which have full voting rights as well as Employer and Member representatives from the PSB (non-voting Member).	Fully compliant
<b>B - Representation</b>		
a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies); (ii) scheme members (including deferred and pensioner scheme members); (iii) independent professional observers; (iv) expert advisers (on an ad hoc basis).	<p>The Terms of Reference of both the PSB and the ISC set out the representation on including how they are appointed and the Term of Office. This representation covers all types of Scheme Employer as well as Scheme Members as follows:</p> <ul style="list-style-type: none"> <li>• 1 Member Councillor representing Borough, City and District Council in Essex;</li> <li>• 1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils;</li> <li>• 1 Member representing other Employing Bodies (which includes admitted bodies); and</li> <li>• 1 Member representing Scheme Members.</li> </ul> <p>In addition, the PSB has appointed an Independent Governance and Administration Adviser to assist the PSB and its Officers.</p> <p>Other Advisers and experts, such as the Fund Actuary, regularly attend PSB meetings.</p>	Fully compliant



Description of Principle	Essex Pension Fund's Position	Level of Compliance
b) that where lay member sits on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights	All Members of the PSB and ISC are treated equally in terms of provision of meeting papers, opportunity to contribute (full voting rights on the PSB) and knowledge and skills training.	Fully compliant
<b>C - Selection and Role of Lay Members</b>		
a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	This is clearly set out in the Terms of Reference of both the PSB and ISC. These are reviewed on an annual basis and are shared with all PSB and ISC Members at the first meeting of the municipal year.  The role of Members is covered by their induction and ongoing training.	Fully compliant
b) that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Declaration of Interests is a standard agenda item at all PSB and ISC meetings. In addition, the Fund has its own Conflicts of Interest Policy that explains the process that all PSB and ISC Members must follow to manage any potential or actual conflicts of interest.	Fully compliant
<b>D - Voting</b>		
the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	All Members of the PSB have full voting rights. While voting rights of the ISC is limited to the County Council Members only, this reflects the fact that ultimately it is the County Council that has the legal responsibility to pay all benefits from the Fund.	Fully compliant

Description of Principle	Essex Pension Fund's Position	Level of Compliance
<b>E - Training / Facility Time / Expenses</b>		
a) that in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	<p>The Fund has put in place a comprehensive Knowledge and Skills Strategy, which fully supports 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 II purposes.</p> <p>The Knowledge and Skills Strategy was established to aid Members of the PSB and the ISC in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the decision-making responsibility put upon them. In addition, the Fund has developed a two-year rolling Training Plan, which ensures the Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise and that they act with integrity and accountability to all stakeholders and decisions, ensuring they are robust and well-based.</p> <p>All costs associated with the attendance of training/conferences away from County Hall for all Board/Committee Members that are relevant and within the Knowledge and Skills Strategy are met by the Fund. Participating Employers are also encouraged to allow facilities' time where relevant.</p>	Fully compliant
b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	The document sets out the Knowledge and Skills Strategy agreed by the PSB concerning the training and development of, and applied equally to, all the Members of the PSB and the ISC.	Fully compliant

Description of Principle	Essex Pension Fund's Position	Level of Compliance
c) that the Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	A log of attendance at all training events is maintained by the Administering Authority and a Training Plan is agreed as part of the Fund's Business Plan each year and updated throughout the year as necessary.	Fully compliant
<b>F - Meetings - Frequency</b>		
a) that an Administering Authority's main committee or committees meet at least quarterly	As part of normal practice, the PSB meet a minimum of four times a year in accordance with their Terms of Reference.	Fully compliant
b) that an Administering Authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	The ISC meet a minimum of four times a year.  Meetings of both the PSB and ISC are arranged so that quarterly reports are presented to the PSB at each meeting.	Fully compliant
c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented		Not applicable
<b>G - Access</b>		
that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	All Members of the PSB and ISC are provided the same documentation and reports which ensures equal access.  In addition, all documentation is provided to the PAB.	Fully compliant

Description of Principle	Essex Pension Fund's Position	Level of Compliance
<b>H - Scope</b>		
that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	The role of the PSB is to consider all aspects of the management and administration of the Fund. While certain day-to-day responsibilities have been delegated to Officers and investment decisions to the ISC, via the Council's scheme of delegation, the PSB's remit includes determining, reviewing and monitoring the Fund's aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund including Governance, Funding, Investments, Administration and Communications.	Fully compliant
<b>I - Publicity</b>		
that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements	<p>Full details of the governance arrangements of the Fund are contained within this Governance Policy and Compliance Statement as well as additional detail being included within the Fund's Annual Report, both of which are available on the Fund's website <a href="http://www.essexpensionfund.co.uk">www.essexpensionfund.co.uk</a>. All non-exempt reports of the PSB and ISC are also available on Essex County Council's website - <a href="https://cmis.essex.gov.uk/essexcmis5/Committees.aspx">https://cmis.essex.gov.uk/essexcmis5/Committees.aspx</a>.</p> <p>All other Policies and Strategies are available on the website.</p>	Fully compliant

## **Responsibilities of other relevant parties**

### **Audit Responsibilities**

The Fund is subject to review by both the County Council's External Auditors BDO LLP and internally by Internal Audit. The Pension Fund financial statements contained in the Council's Annual Statement of Accounts present fairly:

- the financial transactions of its Pension Fund during the year; and
- the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

The External Auditor audits the Pension Fund financial statements and gives their opinion, including:

- whether they present fairly the financial position of the Pension Fund and its expenditure and income for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

In carrying out their audit of the financial statements, auditors will have regard to the concept of materiality.

Additionally, the Council must prepare a Pension Fund annual report which should contain the Pension Fund Account and Net Asset Statements with supporting notes and disclosures.

External Audit will review the annual report as a whole and the accounts contained in it and then report:

- whether the accounts contained in the annual report are consistent with the financial statements on which the audit opinion was given; and
- that other information in the annual report is not inconsistent with the financial statements on which the audit opinion was given.

Internal Audit carry out a programme of work designed to reassure the S151 Officer that the following areas have sound systems on internal control in place:

- administering of the pension fund;
- making pension payroll payments;
- funding;
- investments; and
- the fund's overarching governance and decision-making processes.

## **External Advisers**

- i) Independent Governance and Administration Adviser
  - To prepare for, attend and participate in, meetings of the PSB, PAB and other meetings with Board Members and Fund Officers.
  - To provide guidance on the proper governance and administration of the Fund.
  - To provide advice on best practice and compliance with requirements under relevant guidance, legislation and regulations.
  - To prepare and deliver training and/or presentations to various forums.
  - To assist Fund Officers in the development of governance and administration systems.
  - To provide the tools required to facilitate good governance subject to further agreement where required.
  - To review in house administration systems where required.
  - To provide advice on technical aspects of the LGPS where required.
  - To liaise with other professionals (actuary, legal advisers etc.) where required.
  - To understand the implications of the LGPS Asset Pooling agenda.
  
- ii) Fund Actuary
  - To carry out triennial valuations of the Fund.
  - To carry out interim reviews of the Fund.
  - To provide actuarial support on outsourcings, insourcings and statutory transfers and the winding up of admitted bodies.
  - To produce the information required to enable the employing bodies in the Fund to meet their obligations under IAS19.
  - To provide ad hoc actuarial work.
  - To monitor AVC arrangements.
  - To provide advice on the effects of changes in legislation and developments in the pension field.
  - To assist the Fund in the assessment, monitoring and strengthening of employer covenant and risk profile.

iii) Institutional Consultant Advisers:

- To provide advice to the Fund on investment strategy, asset allocation, benchmark selection and design, investment management structure, legislative changes impacting on the Fund and current emerging issues.
- To prepare and present a report, based on information supplied by the Fund's custodian, on the annual investment performance of the Fund.
- To carry out on behalf of the Fund, when required, the functions of manager selection and manager monitoring.
- To carry out asset/liability modelling studies when required.
- To provide expert commentary on the economy and investment market.
- To attend and advise at all meetings of the ISC and all meetings arranged between its officers, advisers and managers.
- To assist the ISC in its annual review of asset allocation, investment management structure, Investment Strategy Statement and Funding Strategy Statement.

iv) Independent Investment Adviser

- To assist in the determination, preparation and writing where appropriate of agendas, papers and presentations for the meetings of the ISC and Officer and Adviser (O&A) meetings.
- To identify investment issues of strategic importance to the Fund and arrange for their consideration by the ISC e.g. asset allocation, investment, management structure.
- To keep under review the individual investment managers and where necessary put forward proposals for their management, including where appropriate their dismissal.
- To prepare commentary on investment managers performance to be included within the Investment Tables report presented to the ISC.
- To actively assist and prepare reports to enable the Fund to become a signatory to the Financial Reporting Council's 2020 Stewardship Code by March 2022.
- To actively assist in the development and review of the Fund's Engagement Plan relating to investment managers Responsible Investment and Good Stewardship.
- To actively assist and participate with the Fund when requested, in manager searches and other Fund procurement exercises.



- To assist the ISC in keeping under review its Investment Strategy Statement (including the Fund's Responsible Investment Policy), Funding Strategy Statement and the Asset Liability Study work thereafter.
- When requested by the Fund Officers, attend and participate in monitoring, reviewing and briefing meetings arranged with Investment Managers, limited partners etc. provide briefing note of the meetings for the ISC as and when required.
- To produce and present bite size investment training and thought pieces as and when appropriate.
- To assist in the research, preparation and writing of specific one-off investment related projects as and when required.
- The provision of an annual report detailing the work undertaken for the year by the Independent Investment Adviser.
- Establish a set of mutually agreeable objectives which will be measured on an annual basis.
- To actively participate in all ISC, O&A and training sessions.



## Essex Pension Fund Strategy Board

### Membership

There are 11 Members of the Essex Pension Fund Strategy Board (PSB) including:

<b>All Voting* Members</b>	<b>How Nominated or Appointed</b>
7 Members of the Council	Appointed by the Council
1 Member Councillor representing Borough, City and District Councils in Essex	Nominated by Essex Borough and District Leaders/Chief Executives
1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils	Nominated jointly by and from either Southend-on-Sea and Thurrock Councils
1 Member representing other Employing Bodies	Nominated by other employers at the employer forum or such other process as agreed by the Chairman and the Director for Essex Pension Fund and must be in the employment of or hold office in relation to an EPF Employer
1 Member representing Scheme Members	Nominated by Unison and must be a Member of the Essex Pension Fund

\*voting is subject to other provisions within this document.

The Constitution does not permit non Essex County Council members to have substitutes.

### Term of Office

<b>Members</b>	<b>Term of Office</b>
7 Members of the Council	1 year as appointed at the annual meeting of the Council or as changed from time to time by the Constitution
1 Member Councillor representing Borough, City and District Councils in Essex	4 years from the relevant Borough, City and District Council elections
1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils	4 years from the relevant Unitary Council elections
1 Member representing other Employing Bodies	6 years from date of appointment
1 Member representing Scheme Members	6 years from date of appointment

The Term of Office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any PSB Member may be re-appointed for further terms following the appropriate appointment process.

A Member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the PSB if they cease to hold the office or employment which qualifies them for the role.

### Role and Function

The PSB will exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Essex Pension Fund except where they have been specifically delegated by the Council to another Committee or to an Officer. Its principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund Members. In doing so, the PSB will take account of advice from the Director for Essex Pension Fund and the Fund's professional Advisers.

The role of the PSB will include the following specific functions:

- (i) to monitor and oversee the work of the Essex Pension Fund Investment Steering Committee (ISC) through its quarterly reports;
- (ii) to ensure the proper administration of the Fund, including compliance with the Local Government Pension Scheme and other legislation, ensuring that it delivers best value and compliance with statutory and non-statutory best practice guidance where considered appropriate;
- (iii) to determine, review and monitor the Fund's aims, objectives, strategies, compliance statements and procedures relating to the funding strategy, including approving its Funding Strategy Statement;
- (iv) to make arrangements for the actuarial valuation, ongoing monitoring of liabilities and to undertake any asset/liability and other relevant studies as required;
- (v) to determine, review and monitor the Fund's policy in regard to Employer admission and cessation arrangements;
- (vi) to determine, review and monitor the Fund's other aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund, including but not limited to administration, communications and governance;
- (vii) to determine how the various administering authority discretions are operated for the Fund;
- (viii) to agree Administering Authority responses to consultations by Central Government, professional and other bodies;
- (ix) to consider any views expressed by employing organisations and staff representatives;
- (x) to both appoint and terminate the appointment of the Fund's Advisers, including actuaries, governance advisers and specialist lawyers (where required) and periodically to review those arrangements;
- (xi) to agree the Fund's business plans and monitor progress against them;
- (xii) to consider the Fund's financial statements and to approve an Annual Report on the activities of the Fund in line with legislation and guidance; and
- (xiii) to agree a Knowledge and Skills Strategy and ensure its requirements are adhered to.

No matters relating to Essex County Council's responsibilities as an Employer participating in the Essex Pension Fund are delegated to the PSB.

### **Officers**

The PSB may delegate a range of its functions to one or more officers of the Administering Authority. The PSB will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the PSB. Any delegations the PSB makes to Officers should be notified to the Council's Monitoring Officer.

**Quorum**

A meeting of the PSB shall only be quorate when:

- i) At least 4 Members are present, and
- ii) At least 3 of the Members present are Essex County Council members.

**Chairman**

- (i) Only members of Essex County Council may be the Chairman and Vice-Chairman.
- (ii) The Chairman will be elected by the County Council at the annual meeting.
- (iii) The Vice-Chairman will be elected annually by members of Essex County Council at the PSB.

**Training**

The Essex Pension Fund has a dedicated Knowledge and Skills Strategy which applies to all members of the Board and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

**Essex Pension Fund Advisory Board**

Members of the Essex Pension Fund Advisory Board (PAB) are permitted to attend the PSB, including during any items of private business. Comments may also be made by these persons subject to permission to speak being granted by the Chairman. In accordance with the Fund's Conflicts of Interest Policy, a member of the PAB may be asked to leave the room during an item where they have a potential conflict of interest.



## Essex Pension Fund Investment Steering Committee

### Membership

There are nine Members of the Investment Steering Committee (ISC).

All ISC Members shall be drawn from the Essex Pension Fund Strategy Board (PSB) membership as follows:

Members	How Nominated or Appointed
7 Members of the Council (voting Members)	All Council members of the PSB
1 Member representing Employers in Essex (non-voting member)	The Member of the PSB nominated by Essex Borough and District Leaders/Chief Executives
1 Member representing Scheme Members (non-voting member)	The Member of the PSB nominated to represent Scheme Members

The Chairman and Vice-Chairman of the ISC shall be the Chairman and Vice-Chairman of the PSB respectively.

### Quorum

A meeting of the ISC shall only be quorate when:

- i) At least 4 Members are present, and
- ii) At least 3 of the Members present are Essex County Council Members.

### Role and Function

- (i) to approve and review the asset allocation benchmark for the Fund;
- (ii) to determine, review and monitor the Fund's aims, objectives, policies, strategies and procedures relating to investment of the Fund's assets including the Investment Strategy Statement and any environmental, social and governance matters;
- (iii) to appoint and terminate Investment Managers (in relation to non-pooled assets), Custodians and Advisers to the Fund solely relating to investment matters;
- (iv) In relation to the LGPS ACCESS Pension Fund Pool;
  - a) to consider pooling matters including recommendations by the ACCESS Joint Committee;
  - b) to determine the transition of the assets held by Essex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
  - c) to appoint the elected Councillor for Essex County Council to the Joint Committee as and when required;
  - d) to advise the representative on the Joint Committee on such matters as may be required;
  - e) to monitor the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee or ACCESS Support Unit, as appropriate;
  - f) to receive and consider reports from the LGPS ACCESS Joint Committee and the Operator;
  - g) to undertake any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required.
- (v) to assess the quality and performance of each Investment Manager and the relevant ACCESS Operator annually in conjunction with Essex Pension Fund investment advisers and the Section 151 Officer;
- (vi) to monitor compliance of the investment arrangements with the Investment Strategy Statement;

(vii) to monitor and review the Fund's compliance with the LGPS Scheme Advisory Board adopted Code of Transparency and UK Stewardship Code;

(viii) to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;

(ix) to approve and to review annually the content of the Essex Pension Fund Treasury Management Strategy; and

(x) to submit quarterly reports on its activities to the PSB.

### **Training**

The Essex Pension Fund has a dedicated Knowledge and Skills Strategy which applies to all Members of the Committee and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

### **Essex Pension Fund Advisory Board**

Members of the Essex Pension Fund Advisory Board (PAB) are permitted to attend the ISC, including during any items of private business. Comments may also be made by these persons subject to permission to speak being granted by the Chairman. In accordance with the Fund's Conflicts of Interest Policy, a member of the PAB may be asked to leave the room during an item where they have a potential conflict of interest.

## **Extracts from the Constitution – Local Pension Board’s Terms of Reference**

### **The Essex Pension Fund Advisory Board**

#### **1. Introduction**

The Essex Pension Fund Advisory Board was appointed by Essex County Council (the Scheme Manager and Administering Authority to Essex Pension Fund) on 10 February 2015 as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 3 and 4 of the Constitution of Essex County Council do not apply to this Pension Fund Advisory Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure. The Pension Fund Advisory Board is referred to in these terms of reference as ‘the Board’.

In these terms of reference:

“CoP” means any Code of Practice on Governance issued by TPR

“EPF” means the Essex Pensions Fund

“ISC” means the Investment Steering Committee

“LGPS” means the Local Government Pension Scheme

“PSB” means the Essex Pension Fund Strategy Board”

“Scheme Manager”, “Council” and “ECC” means Essex County Council

“TPR” means The Pensions Regulator

The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions.

#### **2. Remit of the Board**

The Board has the following remit:

(A) To assist the Scheme Manager:

- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by TPR

(B) To assist the Scheme Manager to ensure the effective and efficient governance and administration of the LGPS for the EPF.

In doing this, the Board:

- a) shall assist the Scheme Manager with such matters as the LGPS regulations and guidance may specify.
- b) shall be a “critical friend” to the PSB and the ISC.

- c) may provide oversight of decisions made by the PSB and ISC to ensure that due process has been followed.
- d) may review any decision made by or on behalf of the Scheme Manager or any action taken by the Scheme Manager.
- e) shall comment on and assist in identifying and managing breaches of the law in relation to EPF matters.
- f) at the invitation of the PSB, may also undertake other tasks, including (but not limited to):
  - assisting the PSB by reviewing aspects of the performance of EPF – for example by reviewing the risk management arrangements within EPF (although the PSB will remain accountable for risk management);
  - reviewing administration standards or performance or review efficacy of EPF Member and Employer communications;
  - reviewing published policies to ensure they remain fit for purpose and are complete;
  - reviewing EPF annual reports;
  - being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of Employers and EPF Members;
  - discussing strategic matters such as communications where requested by the PSB.
- g) shall provide such information as is requested to other bodies including but not limited to the LGPS Scheme Advisory Board and TPR and provide an annual report of the work of the Board to the Scheme Manager.
- h) will prepare a record of each meeting which will normally be published no later than 12 working days following the meeting using the appropriate systems of the Scheme Manager.
- i) must provide a record of each meeting to the following PSB meeting and may make reports and recommendations to the PSB insofar as they relate to the role of the Board (see "Reporting and Escalation").

The Board is not a decision-making body in relation to the management of the EPF but makes recommendations to assist in such management. The EPF's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers. The Board operates independently of the PSB.

Though Members of the Board include representatives of specific categories of stakeholder (i.e. EPF Members and Employers) each Member is required to



have due regard to the Remit of the Board as outlined above. Accordingly, all Members are expected to work jointly in the best interest of the EPF, rather than representing the interest of any individual stakeholders or organisations. This should not prevent Members from sharing their knowledge on how matters might impact specific stakeholders of the EPF.

### **3. Appointment and Membership of the Board**

(A) The Board shall consist of nine Members and be constituted as follows:

- (i) four Employer representatives made up of one from each of the following groups of Employers in the EPF:
  - 1. Essex County Council (an elected Member)
  - 2. the District, City and Borough Councils of Essex (an elected Member)
  - 3. Southend on Sea and Thurrock Unitary Authorities (an elected Member) and
  - 4. all other Employers
- (ii) four Scheme Member representatives of which:
  - one will be nominated by the trade unions and
  - the rest will be drawn from the total EPF active, deferred and pensioner membership
- (iii) one independent Chairman.

(B) The Employer representatives in 3(A)(i)1, 2 and 3 above will be appointed by the respective authorities referred to in each of those clauses.

(C) The Employer representative as per clause 3A(i)(4) above, and Scheme Member representatives, and the Independent Chairman will be appointed through a clear and transparent process as determined by an Appointments Panel which will consist of:

- (i) the Chairman of the PSB
- (ii) the Scheme Member representative from the PSB
- (iii) the Director for Essex Pension Fund

and will be advised by the Independent Governance and Administration Adviser for EPF.

The Appointments Panel will also be supported by Officers of the EPF as considered as appropriate by the Appointments Panel.

The Appointments Panel will define any eligibility and/or selection criteria that will apply to Board Members within the scope of this procedure, beyond those already included in these Terms of Reference and Rules of Procedure, having due regard to the LGPS Regulations and any other relevant Code of Practice and guidance. The Appointments Panel will have the power to appoint or reject any nomination or applicant where they consider the

individual does not meet the eligibility and/or selection criteria. Should any of the Appointments Panel members be unable to undertake their responsibilities they, or the remainder of the Appointments Panel in their absence, may delegate a suitable alternate to undertake Appointments Panel responsibilities on their behalf.

- (D) Where any Employer, other than ECC, has a representative on the PSB or ISC, that Employer will not be permitted to also have a representative on the Board.
- (E) No Officer of ECC who is either responsible for discharging any function in relation to the LGPS regulations or has delegated decision-making authority in relation to LGPS matters may be a member of the Board.
- (F) No Member of the PSB or ISC may be appointed to the Board.
- (G) All Scheme Member and Employer representatives must have the capacity to represent their EPF Members and Employers as appropriate
- (H) The Board shall appoint a Vice Chairman annually from amongst its Members at the first meeting of the Board after each annual meeting of the Council. This will be done by a nomination process followed by a show of hands from those in attendance at that first meeting.

#### **4. Term of Office**

- (A) Employer representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer in the employment of that Employer, no longer holds office in relation to that Employer or is no longer an elected member of that Employer, as appropriate.
- (B) Scheme Member representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer a trade union representative or representative of EPF Members (in accordance with the criteria set by the Appointments Panel).
- (C) The Independent Chairman's appointment will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Appointments Panel.
- (D) Any Board Member, including the Independent Chairman, may be re-appointed for further terms following an appointment process.
- (E) The Term of Office may be extended by up to six months if considered necessary for the purpose of the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

(F) In relation to Scheme Members representatives who are appointed by the Appointments Panel, other than ceasing to be eligible (as set out above) a Board Member may only be removed from office during the term of appointment by the unanimous agreement of the Appointments Panel. Such reasons may include non-compliance with this Terms of Reference and Rules of Procedure including inappropriate conduct, conflicts of interest, avoidance of training or low meeting attendance, not having the capacity to represent their members or for any other reason not meeting the criteria required to be a Board Member.

(G) The removal of the Independent Chairman requires unanimous agreement from the Appointments Panel.

## **5. Meetings of the Board**

(A) The Board shall have a quorum of 4 including at least the Chairman or Vice-Chairman, 1 Employer representative and 1 Scheme Member representative. A meeting that is (or becomes at any point) inquorate will only continue if the Chairman (or Vice-Chairman) decides it should and in relation to items of business as agreed by the Chairman (or Vice-Chairman). Attendance will be recorded and monitored by the EPF.

(B) Substitutes will not be permitted.

(C) Meetings will normally be held at the offices in County Hall, Chelmsford.

(D) Following such procedure as determined by the Chairman, urgent business of the Board between meetings may in exceptional circumstances between Members of the Board including telephone conferencing and e-mails.

(E) The Board will normally meet a minimum of twice in each calendar year.

(F) It is expected that voting by the Board will only be in exceptional circumstances and the Board will, as far as possible, reach a consensus. Each Scheme Member representative and Employer Member representative will be entitled to vote where voting is considered necessary by the Chairman.

(G) Where voting is considered necessary by the Chairman, in the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected.

(H) The results of any voting outcomes will be recorded in the Board meeting record.

(I) The Independent Chairman of the Board will not be entitled to vote.

(J) Meetings of the Board are not open to the general public. The following will be entitled to attend Board meetings as observers and may be asked to present information or answer questions by the Board. Comments may

also be made by these persons subject to permission to speak being granted by the Chairman:

- i. Members of the PSB and ISC
- ii. The Executive Director, Finance and Technology (section 151 Officer), the Director for Essex Pension Fund, the other Officers holding managerial positions for EPF, and the Monitoring Officer
- iii. Other Officers or Advisers of the EPF or the Scheme Manager with responsibilities in relation to matters being considered by the Board or providing support to the Board including carrying out the administration for the Board
- iv. Other Employers participating in the EPF subject to approval in advance by the Chairman, or on request of the Chairman
- v. Any other person requested to attend by the Chairman
- vi. Any other person subject to approval in advance by the Chairman.

## **6. Chairing**

The role of the Chairman is to:

- (A) Ensure that all Members of the Board show due respect for process, that all views are fully heard and considered and that decisions are democratically made where consensus cannot be reached.
- (B) To uphold and promote the purpose of the Board and to interpret its Terms of Reference and Rules of Procedure when necessary.
- (C) Ensure that Board Members have the facilities and make appropriate efforts to achieve the knowledge and skills as determined in the EPF Knowledge and Skills Strategy and other guidance or legislation and ensure a training record is monitored and maintained.
- (D) Act as professional adviser for the Board or arrange such advice as required subject to agreement by the Director for Essex Pension Fund on such conditions as that officer determines.
- (E) Agree the agenda for each Board meeting.
- (F) Approve records of each Board meetings.
- (G) Ensure an attendance record is maintained to allow the Scheme Manager to make arrangements for remuneration and expenses to be paid.

- (H) Agree with the Scheme Manager an appropriate budget for the Board, which is ratified by the Board before being formally approved by the Scheme Manager along with the EPF Annual Budget.
- (I) Write reports required by the Scheme Manager on the work of the Board.
- (J) Liaise with the Director for Essex Pension Fund on the requirements of the Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings.
- (K) To provide guidance on all points of procedure and order, and the Chairman's interpretation of these Terms of Reference and Rules of Procedure shall be final.
- (L) Other tasks which may be deemed appropriate by the Scheme Manager for the Chairman of the Board.
- (M) To commission advice or work on behalf of the Board.
- (N) To liaise with the Chairmen of the PSB and ISC as deemed appropriate.
- (O) Other tasks that may be requested by the members of the Board, within the remit of these Terms of Reference and Rules of Procedure and subject to agreement with the Director for Essex Pension Fund.
- (P) To annually review and report on the activities of the Board.

## **7. Reporting and Escalation**

- (A) Where the Board wish to make a recommendation to the PSB or ISC they should do so in writing to the Director for Essex Pension Fund. The recommendation will normally be considered at the next available meeting of the body concerned. The next available meeting will normally be the first meeting which takes place 20 days after the recommendation is issued.
- (B) As permitted by clause 2, the Board may review any decision made by or on behalf of the Scheme Manager or any action taken by the Scheme Manager. Where the Board has reviewed a decision or action and believe the wrong decision has been made or wrong course of action has been taken and wish this decision or action to be escalated, the following process shall be followed:

Stage 1: The Board may refer a decision or action to the original decision maker or responsible person if at least 3 Employer representatives and 3 Scheme Member representatives believe that one or more of the following applies:

1. the decision maker/responsible person was not authorised to make the decision or take the action in question;
2. the decision/action was in breach of legislation and/or regulations;

3. the decision maker/responsible person did not follow professional advice given (or did not take professional advice) and it is believed that this could result in a materially bad outcome for the EPF;
4. the approach to making the decision or take the action did not follow one or more of the following principles:
  - (i) the decision-maker/responsible person did not ask themselves the right question(s);
  - (ii) the decision-maker/responsible person did not direct themselves correctly in law; in particular did not adopt a correct interpretation of the legislation and regulations relevant to the EPF;
  - (iii) the decision-maker/responsible person did not take into account all relevant facts;
  - (iv) the decision-maker/responsible person arrived at a perverse decision or took a perverse action (e.g. a decision or action which no reasonable decision-maker/responsible person could have reached).
5. New material has come to light that might have resulted in a different outcome provided that the original decision or action has not yet been irrevocably implemented.

Stage 2: If the Board is dissatisfied with the response of the decision maker/appropriate person, it will seek the advice of the Director for Essex Pension Fund (unless the Director was the original decision maker).

Stage 3: Where the decision-maker/appropriate person in question is the Director for Essex Pension Fund and the Board remains dissatisfied with the response or resolution from the Director for Essex Pension Fund it will seek the joint advice of the ECC's section 151 Officer and ECC's Monitoring Officer.

Stage 4: Where the Board remains dissatisfied with the joint response from the Executive Director, Finance and Technology and ECC's Monitoring Officer. The Board will seek the advice of the National LGPS Advisory Board (and shall inform the Director for Essex Pension Fund, ECC's section 151 Officer and ECC's Monitoring Officer that it has done so).

## **8. Standards and Conflicts of Interest**

A conflict of interest is defined in the Public Service Pensions Act 2013 as: "in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

- (A) The Board shall adopt a policy for identifying and managing potential conflicts of interest.

- (B) Members of the Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest at appointment or whilst a member of the Board.
- (C) Parts 24.1 to 24.5 of the ECC's Members' Code of Conduct shall apply in relation to the standards of conduct of Board Members insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.
- (D) Members of the Board must adhere to the requirements of the EPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in relation to reporting breaches of the law in relation to EPF matters.

## **9. Knowledge and Understanding**

Under the requirements of the Public Service Pensions Act 2013, a member of the Board must be conversant with:

- a) the legislation and associated guidance of the LGPS, and
- b) any document recording policy about the administration of the LGPS which is adopted by the EPF.

In addition, a member of the Board must have knowledge and understanding of:

- The law relating to pensions; and
- Any other matters which are prescribed in regulations.

It is for individual Board Members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board.

In line with this requirement Board Members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board Members are therefore required to:

- participate in training events (a written record of relevant training and development will be maintained);
- undertake a personal training needs analysis or other method to identify gaps in skills, competencies and knowledge; and
- comply with the EPF Knowledge and Skills Strategy insofar as it relates to Board Members.

## **10. Remuneration and Expenses**

(A) Subject to (B) below, an allowance may be made to Scheme Member representatives for attending meetings relating to Board business (including attending training) at a rate of £100 per meeting lasting from 2 hours to 4 hours, or £200 per meeting lasting over 4 hours. These rates are as at April

2019 and shall be increased by the annual increase in the Consumer Prices Index each April thereafter.

(B) It is hoped that Employers of Scheme Member representatives on the Board will provide appropriate capacity to allow the representative to perform this role within their normal working day without any reduction in pay or leave. If that is the case, the representative will not be entitled to any allowance.

(C) Employer and Scheme Member representatives shall be entitled to claim travel and subsistence allowances at the rates contained in the Schedule of Member Allowances in Scheme Manager's Constitution.

(D) The Chairman shall be paid remuneration and expenses as determined by the Appointments Panel. The Chairman will be expected not to claim all or part of the remuneration if the duties are carried out within their normal working day of other paid employment without any reduction in pay.

### **11. Receipt of advice and information**

The Board will be supported in its role and responsibilities by the Independent Chairman and by EPF Officers who will provide a secretariat role. In addition, Board Members will receive the final reports, minutes and agendas relating to all PSB and ISC and may attend PSB and ISC meetings (including during exempt items).

Insofar as it relates to the role of the Board, the Board may also:

- (A) request and receive information and reports from the PSB, ISC or any other body or officer responsible for the management of the EPF;
- (B) examine decisions made or actions taken by the PSB, ISC or any other body or officer responsible for the management of the EPF; and
- (C) may attend all or any part of a PSB or ISC meeting (including during exempt items) unless they are asked to leave as a result of a conflict of interest.

The Secretariat will provide such information as is requested that is available without unreasonable work or costs. Any requests for information and advice that have not been provided by the Secretariat are subject to the approval of the Director for Essex Pension Fund who will be required to consider positively all reasonable requests in relation to the role of the Board whilst being mindful of value for money.

### **12. Administration**

The Chairman will agree an agenda with the Secretariat prior to each Board meeting. The agenda and any papers for the Board will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency. Draft records of each meeting including all actions, decisions and matters where the Board was unable to reach a decision will be recorded and normally circulated to all Board Members within 12 working days



after the meeting. These draft records will be subject to formal agreement by the Chairman taking consideration of comments by Board Members (which may be done electronically between meetings).

The records of the meetings may, at the discretion of the Chairman, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.

The Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

### **13.Accountability**

The Board will collectively and individually be accountable to ECC, as the Scheme Manager to the EPF.

### **14.Review, Interpretation and Publication of Terms of Reference and Rules of Procedure**

These Terms of Reference and Rules of Procedure have been agreed by ECC. The Council will monitor and evaluate the operation of the Board and may review this Terms of Reference and Rules of Procedure from time to time.

These Terms of Reference and Rules of Procedure is incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the EPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

### **15.Publication of Board information**

In accordance with the Public Service Pensions Act 2013, Essex County Council is required to publish information about the Board including:

- who the Board Members are;
- representation on the Board; and
- the role of the Board.

In accordance with good practice, ECC may publish other information relating to the Board as considered appropriate from time to time and which may include:

- the agendas and meeting records;

- training and attendance logs; and
- an annual report on the work of the Board.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- on the EPF website – [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk);
- on the ECC website – <http://www.essex.gov.uk>;
- within the EPF Annual Report and Accounts; and
- within the EPF's Governance Policy and Compliance Statement.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04c</b>
<b>Date: 17 March 2021</b>	

## **Essex Pension Fund (EPF) Business Continuity Policy and Plan**

Report by the Compliance Manager in consultation with the Independent Governance & Administration Adviser (IGAA)

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Enquiries to Amanda Crawford on 03330 321763

### **1. Purpose of the Report**

- 1.1 To provide the Board with the new EPF Business Continuity Policy and Business Continuity Plan for approval.

### **2. Recommendation**

- 2.1 That the Board **approve** the new EPF Business Continuity Policy and Business Continuity Plan.

### **3. Background**

- 3.1 EPF feeds into ECC's Business Continuity and Disaster Recovery Plan. This was developed, recorded and maintained on a regular basis utilising an ECC led system, Shadow Planner.
- 3.2 ECC announced during 2019 that Shadow Planner would cease to exist by the end of August 2019 and its replacement would not be in place until early 2020.
- 3.3 Fund Officers undertook to review all EPF led Business Continuity information, including disaster recovery, liaising with EPF Managers, the ECC Emergency Planning and Resilience team along with the Finance and Technology Business Continuity Champion. This enabled a holistic review to be undertaken capturing all dependencies.
- 3.4 As a consequence of the above and in line with the best practice issued by the Good Governance Project to not place over reliance on the Administering Authorities Policies and Systems, the Fund looked to develop its own overarching Business Continuity Policy which links to the:
  - Business Continuity Plan;
  - Business Impact Assessment;
  - Disaster Recovery Plan; and
  - Testing Schedule.
- 3.5 The Board asked the PAB to undertake a review of the Fund's Business Continuity processes which was agreed at the PAB's 25 September 2019 meeting.

### **4. PAB's review of the Fund's Business Continuity Arrangements**

- 4.1 Fund Officers provided a draft Business Continuity Policy with a progress update on the Plan at their 23 September 2020 meeting.
- 4.2 At the PAB's 16 December 2020 meeting, the final draft of the Policy was agreed. After review of the Business Continuity Plan, recommendations for changes were made:
  - to include a communication strategy;
  - to amend the penetration test conductor; and

- to then provide the new Business Continuity Policy and reviewed Business Continuity Plan to the PSB for their approval.

It was also confirmed that the Independent Governance and Administration Adviser (IGAA) had conducted a quality assurance check on the testing schedule.

- 4.3 The new Business Continuity Policy and Business Continuity Plan have been provided at Appendices A and B respectively for the Board's approval.
- 4.4 Once approved, the Business Continuity Policy will be published on the Fund's website however, the Business Continuity Plan will remain an internal confidential paper which now be a live working document.

## **5. Business Continuity Plan Enacted (Covid-19 pandemic)**

- 5.1 Within the Fund's Business Continuity Plan, pandemics already formed part of the Disaster Recovery Plan and was activated in March 2020 following the UK lockdown announcement.
- 5.2 The Fund has continued to maintain BAU operations with the whole Pension team carrying out the majority of their roles from home. Where this has not been possible, a skeleton staff has been attending EPF offices.
- 5.3 Fund Officers have adapted to the new ways of working with negligible impact on deliverables against the Business Plan and Scorecard measures. The Fund's Risk Register has been monitored closely throughout this period and updated as and when required.
- 5.4 The Fund's third-party providers were all able to implement their business continuity plans successfully, with many also transferring their operations to remote working.
- 5.5 The pandemic has given Officers the opportunity to test the robustness of the Plan with a real-life situation.

## **6. Link to Essex Pension Fund Objectives**

- 6.1 Maintaining and updating a complete and comprehensive Business Continuity Plan will assist the Fund in achieving the following objectives:
  - understand and monitor risk and compliance; and

- deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need.

## **7. Risk Implications**

7.1 Failure to develop, review and update the Business Continuity Policy and Plan could result in:

- failure to undertake business as usual service due to events outside of EPF control resulting in loss of service provision;
- failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:
  - lack of regulatory clarity;
  - system issues;
  - insufficient resources; and
- failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

## **8. Communication Implications**

8.1 The Business Continuity Policy will be published on the Fund's website.

8.2 Other than ongoing reporting to the Board, there are no communication implications.

## **9. Finance and Resource Implications**

9.1 None.

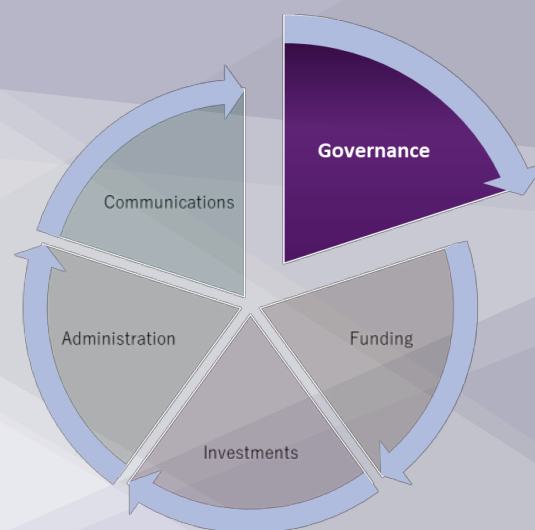
## **10. Background Papers**

10.1 Essex Pension Fund Advisory Board Minutes, 16 December 2020.

10.2 Essex Pension Fund Advisory Board Minutes, 23 September 2020.

# Business Continuity Policy

March 2021



## Background and Introduction

This Policy defines the Business Continuity Planning arrangements and impact assessment for Essex Pension Fund.

The aim of the Business Continuity Policy is to reduce the effects of any incident or event that could disrupt critical activities of the Essex Pension Fund ("**the Fund**") and ensure either the continuation or smooth return to business as usual by the development of a Business Continuity Plan.

## Responsibilities

The Fund has a number of responsibilities that are set out in either statutory regulations or pension legislation. The Fund has a timetable of activities across different areas which are covered by Legal, Statutory, Regulatory and Accounting Practices, on a monthly, annual or tri-annual basis. These key activities must be completed at certain points in time.





# Essex Pension Fund

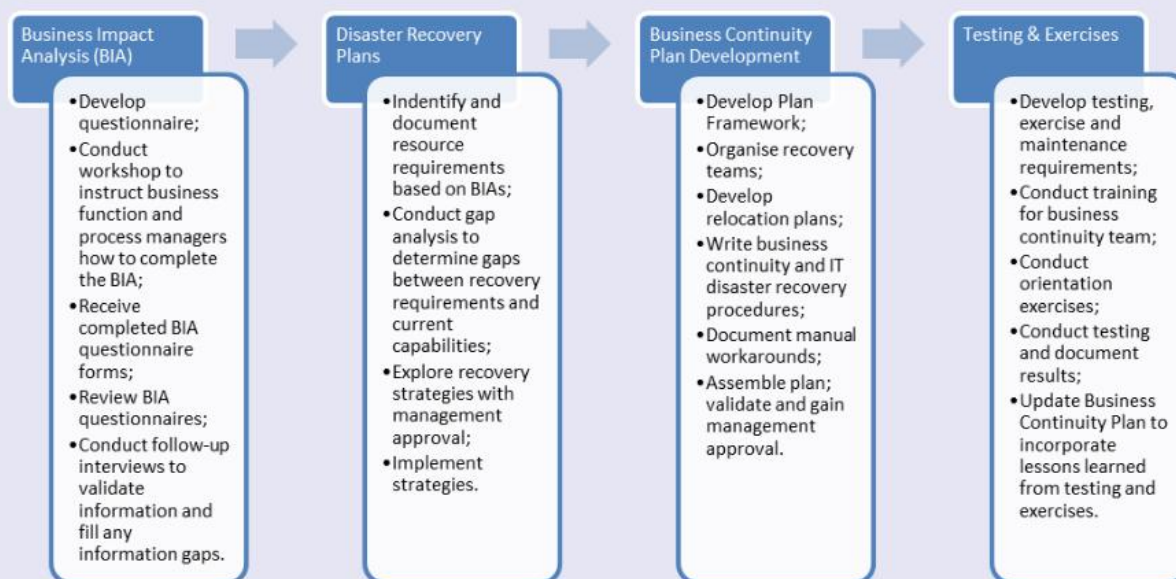
## Business Continuity Policy

# DRAFT

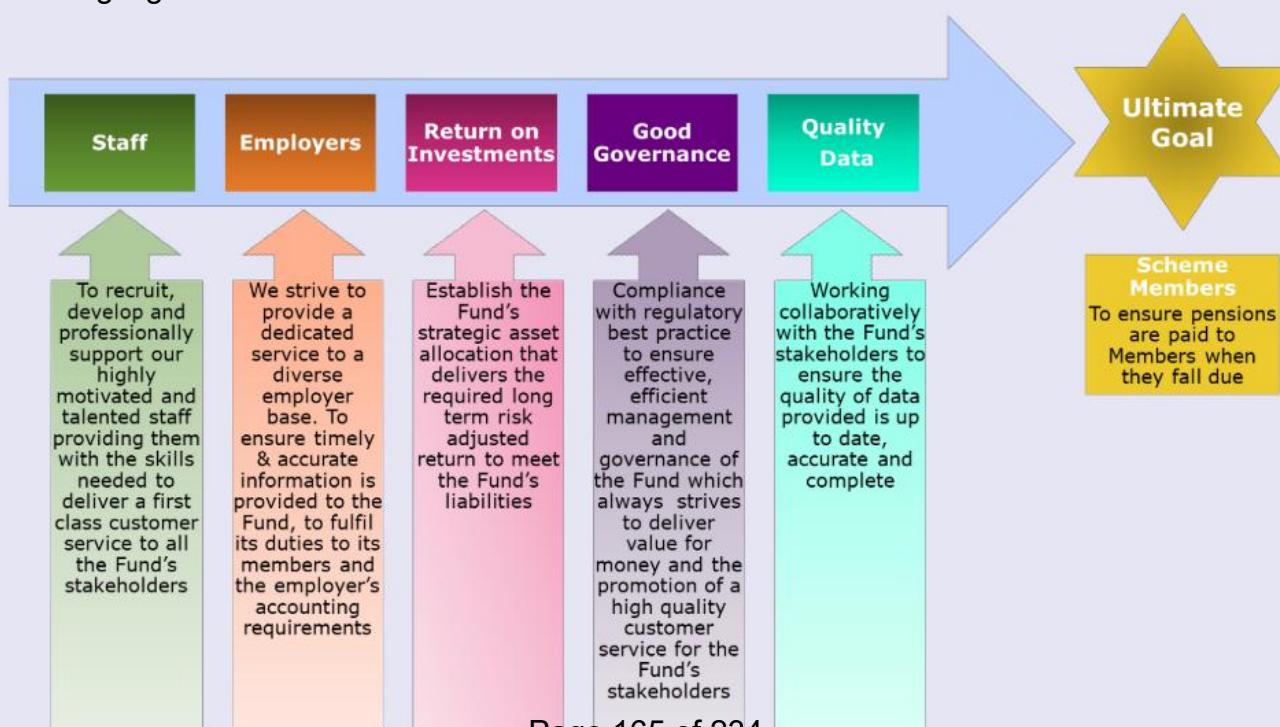
### Objective

The objective of the Business Continuity Policy is to ensure that there are procedures in place to minimise impact and disruption should key systems / people / buildings become unavailable.

The process to achieve this objective is illustrated below:



The strategic goals of the Fund are detailed below:



## Business Continuity Plan

The Business Continuity Plan will bring together the following areas: the Business Impact Assessment, Disaster Recovery and Testing Schedule.

## Business Impact Assessment

A Business Impact Assessment is a process that allows the Fund to identify critical business functions and predict the consequences a disruption of one of those functions would have. It also allows the Fund to gather information needed to develop disaster recovery plans and limit the potential loss of service, reputation, income etc.

The Business Impact Assessment has been developed by Fund Officers in consultation with the Essex County Council Business Continuity Champion, Disaster Recovery Team and the Fund's Independent Governance and Administration Adviser (IGAA).

## Disaster Recovery

Disaster recovery is the process of resuming normal operations following a disruption of services by regaining access to data, hardware, software, networking equipment, resources, buildings, power and connectivity.

Disaster recovery plans have been set up to cover the five key areas of business detailed below:

### Governance

The Compliance Team are responsible for the implementation and oversight of the Governance arrangements in place for the Fund's Boards and Committee (Essex Pension Fund Strategy Board (PSB), Essex Pension Fund Advisory Board (PAB) and Investment Steering Committee (ISC)). They also monitor the Fund's achievements against objectives, by the management of risk and performance made against Key Performance Indicators (KPI).

### Funding

The Employer Team responsibilities involve liaising with employers to ensure they are aware of their statutory obligations to their employees and the Fund and ensure pension contributions are paid within the prescribed time limits. The Employer Team also liaise with the Fund's Actuary to ensure the Fund meets actuarial and accounting requirements.

### Investments

The Fund's Investment Strategy is determined by the ISC. The Investment Team are responsible for implementing the strategy and supporting the ISC in its role of monitoring the performance of the Fund's external investment managers. As at March 2020 the Fund had assets of over £6.6bn. The Investment Team also co-ordinate the production of the Annual Report & Accounts.

### **Administration**

The Administration Team administers the benefits of over 172,000 individuals in the Fund. This involves the day to day operations including: the calculation and payment of scheme benefits, the imaging and indexing of post and documents, the maintenance of member records and explaining scheme rules and benefits, discuss concerns or answer questions from scheme members and employers either face to face, over the phone or by email.

The Pensioner Payroll Team are responsible for paying over 47,000 pensioners each month with a monthly payroll of over £17 million.

The Fund is also responsible for the administration of other public sector schemes: The Firefighters Pension Schemes and the Police Pension Schemes. These are funded independently by individual Service Level Agreements (SLA) with each Authority.

The Systems Team are responsible for managing all aspects of UPM (Pension Administration Software), including document, profile, security and process management. In addition, the Team manage online portals including Member Online (for Scheme Members) and Pensions Online (for Employers) and provide support to users.

The Team liaise with employers and their payroll providers to onboard all new members and leavers of the scheme, processing monthly and end of year returns, pensions increase and annual allowance. They also generate the annual benefit statements.

In addition, the Team also provide relevant data for statutory bodies as needed, including for valuations.

### **Communications**

The Technical Hub ensure the correct interpretation of current and new scheme regulations, and wider pensions legislation, to ensure our systems and processes remain fit for purpose. The Team liaises regularly with our peers and attend regional and national meetings to ensure we both influence and keep up to date with scheme developments.

The Team are also responsible for development, implementation and oversight of the Fund's Communications Policy.

### **Testing Schedule**

Fund Officers have produced a Testing Schedule which is a live document. Testing verifies the effectiveness of the Fund's Business Continuity Plan, provides training for test participants on what to do in a real scenario and identifies areas where the plan needs to be strengthened. The Testing Schedule is regularly actioned, monitored and updated.

## Risks

The Fund has a Risk Register which links to numerous activities outlined in the Business Continuity Policy and Plan. All risks are monitored and updated on a continuous basis and can be found on the Fund's website <https://www.essexpensionfund.co.uk/essex-pension-fund/about-us/forms-and-publications/#collapse-2>.

## Monitoring and Reporting

The Business Continuity Policy is reviewed on a three-yearly basis and the Plan will be monitored at regular intervals by the Fund with testing exercises and results reported to the PSB and PAB. Lessons learned from the exercises will be incorporated into the Plan. In addition, the Fund reports on specific measures in relation to Business Continuity agreed by the PSB, these are contained in the Fund's Scorecard which is regularly reported to the PSB and PAB.

## Further Information

If you require further information about this Policy, please contact:

Amanda Crawford, Compliance Manager, Essex Pension Fund  
Email – [Amanda.crawford@essex.gov.uk](mailto:Amanda.crawford@essex.gov.uk)

Jody Evans, Interim Director for Essex Pension Fund  
Email – [Jody.evans@essex.gov.uk](mailto:Jody.evans@essex.gov.uk)

Essex Pension Fund  
Seax House  
County Hall  
Chelmsford  
Essex  
CM1 1QH

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 05</b>
<b>Date: 17 March 2021</b>	

## **Local Government Pension Scheme (LGPS) and other Pension Reform**

Report by the Independent Governance and Administration Adviser (IGAA)

Enquiries to Karen McWilliam on 07711016707

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### **1. Purpose of the Report**

- 1.1 To provide the Board with an update on current and expected LGPS changes and other national pensions reform which may impact on the LGPS.

### **2. Recommendation**

- 2.1 The Board should note the information contained within this report including the ongoing impact on the delivery of services relating to the Fund.

### 3. Background

3.1 There continues to be a large amount of national reform to pension schemes, both specific to the LGPS and more general. Updates are provided in this report in relation to all of the following areas which have either had developments since the last Board meeting or where announcements are expected before the next meeting:

- McCloud;
- Good Governance;
- Cap on Exit Payments (£95k Cap);
- Increase in minimum retirement age;
- The Pensions Regulator Single Modular Code;
- CIPFA Knowledge and Skills Code and Framework; and
- Pensions Act 2021.

3.2 These are individually significant changes that will have, or are already having, a major impact on the Fund and, for some of the reforms, on its Employers.

### 4. McCloud

4.1 The Board may recall that in 2020 MHCLG carried out a consultation on the approach to changing the LGPS with a view to remedying the unjustified discrimination (now commonly referred to as "McCloud") included within the transitional arrangements relating to the introduction of the 2014 LGPS. An HM Treasury statement was published in early February 2021 setting out the way forward for the **unfunded schemes** in response to their equivalent consultation.

4.2 An equivalent response from MHCLG for **the LGPS** has not yet been produced but we understand that they are planning a Ministerial statement in March. As a result of this delay, the LGPS amendment regulations which were due in April 2021 are now expected later in the year, albeit we do not expect there to be a delay when the McCloud remedy will be formally introduced. In the meantime, MHCLG have suggested at public events that LGPS administering authorities should continue with the ongoing data collection

work. The Fund has already commenced this data collection work and this will continue subject to resources being available.

## **5. Good Governance**

- 5.1 The Scheme Advisory Board (SAB) commenced a project in early 2019 to consider the future governance structure of the LGPS. SAB met on the 08 February to consider the final report from the review which is available here: [https://lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)
- 5.2 The SAB Chair has now made formal requests on behalf of the SAB to MHCLG and other bodies to implement the recommendations from the project. The recommendations from the review were reported to the Board previously, and a check carried out at that time evidenced that the Fund already complied with the majority of areas (noting that some areas could not be checked as they are dependent on new guidance being issued or further clarification on the requirements). The recommendations are provided at Appendix A.
- 5.3 SAB will be identifying and promoting best practice in the LGPS to assist in taking forward the recommendations made. In addition to this MHCLG would need to implement some of the changes identified either by amending regulations or via statutory guidance. The action plan sent by SAB to MHCLG can be found here: [https://lgpsboard.org/images/Other/Annex\\_to\\_Good\\_Governance\\_letter\\_110221.pdf](https://lgpsboard.org/images/Other/Annex_to_Good_Governance_letter_110221.pdf).
- 5.4 The next key steps for the Fund in relation to this project, other than taking part in SAB surveys, are likely to be responding to MHCLG's consultation or reviewing guidance from SAB to understand its impact on the Fund. However it may be some months before there are further developments due to other national priorities. At that point, we will update the Board and hope to be able to provide further information around any changes required for the Fund.

## **6. Cap on exit payments**

- 6.1 As reported at the 16 December 2020 meeting, MHCLG consulted on changes to introduce the cap on exit payments (£95k cap) as well as wider reform to the LGPS and some employers participating in the LGPS. However,

HMT then introduced overriding legislation to introduce the exit cap from an earlier date. This resulted in conflicting legislation leaving uncertainty around whether scheme members should be paid immediate unreduced pension benefits (under the LGPS regulations) or not (due to the HMT's overriding legislation).

6.2 Three requests for Judicial review of HMT's regulations were granted permission to be heard and these were scheduled for the latter part of March 2021.

6.3 The latest developments are:

- on 12 February 2021, HMT issued the Exit Payment Cap Directions 2021 disapplying the exit cap in England, due to a number of “unintended consequences”; and
- on 25 February, regulations were made and laid, to be effective from 19 March, confirming the revocation of the exit cap.

6.4 As a result:

- LGPS administering authorities must pay qualifying scheme members an unreduced pension under the LGPS Regulations; and
- scheme employers must pay employees any additional amounts that would have been due to them if the £95k cap on exit payments had never been put into place in November.

The Fund did not have any scheme members impacted by the introduction of the cap on exit payments so there is no further action to be taken.

6.5 However, it is worth noting that HMT have confirmed that they will legislate again to tackle unjustified exit payments, but the timescales are not yet clear. On 4 March 2021, MHCLG confirmed that they consider the September 2020 consultation on Reforming Local Government Exit Pay closed and no further changes will be made to Local Government pensions or redundancy terms without a further, separate consultation.

## **7. Increase in minimum retirement age**

7.1 On 11 February 2021 HMT launched a consultation on implementing the increase in the normal minimum pension age from 55 to 57 in April 2028. The open consultation will close on 22 April 2021. The proposed change is



designed to maintain a 10-year gap between minimum retirement age and state pension age. This is part of Government's policy that was originally confirmed back in 2014 whereby, in principle, the normal minimum pension age should be around 10 years under state pension age.

- 7.2 This change would need to be implemented in the LGPS, but not in all public sector schemes due to the nature of the roles of many of the members in those schemes, i.e. police, firefighters and the armed services.
- 7.3 If this is implemented in its proposed form, existing Fund members (as at the February 2021 consultation date) would retain the right to access their pensions from age 55. Members who join the Fund after the February 2021 consultation date would be subject to the higher minimum age limit when it is implemented (no later than April 2028).

## **8. The Pensions Regulator Single Modular Code**

- 8.1 The Pensions Regulator (TPR) is expected to introduce a new Single Modular Code in 2021 (subject to a ten-week consultation which is expected in Spring 2021). This new Code will merge the existing 15 codes the Regulator has in place.
- 8.2 It will be an interactive online Code and is expected to have around 50 modules. The first iteration of the new Code will include Code of Practice No.14 (the relevant Code for the Governance and Administration of Public Service Pension Schemes) as part of the merger of 10 of the 15 codes currently in place. This could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS.
- 8.3 Administering authorities will need to review whether the Funds comply with the requirements within the new Code, which is currently expected to be published in October/November 2021.
- 8.4 It is expected that Fund Officers will develop a formal response to the consultation in Spring 2021 for approval by the Board.

## **9. CIPFA Knowledge and Skills Code and Framework**

- 9.1 The CIPFA Pensions Panel have been working with Aon on updating their Knowledge and Skills Code of Practice and Framework for Pension Committee members and Senior Officers. The Panel met on 18 January 2021,

where the revised Code and Framework were discussed. It is anticipated that these revised documents will be ready for publication in Spring 2021 (around April), ahead of the May elections.

- 9.2 It is expected that the competencies will be "stronger" around the need for senior officers and pension committees to have appropriate knowledge to carry out their role, and there will be an increased emphasis on having appropriate training plans. There is a strong alignment between the revised guidance and SAB's Good Governance project recommendations.

## 10. Pensions Act 2021

- 10.1 The Pension Schemes Bill 2019-21 was granted Royal Assent on 11 February 2021 and is now the Pension Schemes Act 2021. The provisions that are applicable to the LGPS are as follows:

### National Pensions Dashboards

- The Act provides the legal framework for implementing national pensions dashboards. Currently the Pensions Dashboards Programme (PDP), set up by the Money and Pensions Service, have stated that in the implementation plan, dashboards will not be available until 2023. After that date, pension schemes will begin to be compelled to provide information to the dashboards.

LGPS Funds, being some of the largest in the UK, are likely to be towards the top of the list for implementation. There will also be opportunities to voluntarily sign up from 2022. Some data preparation is recommended before those dates and so this will be considered as part of the Fund's business plan.

### Task Force on Climate related Financial Disclosures

- The Act puts in place the structure required to enforce compliance with the recommendations of the **Task Force on Climate related Financial Disclosures** (TCFD). Regulations on how this will apply to the LGPS will be issued by MHCLG following a consultation expected later in 2021.

### Pensions Scams

- Under the Pensions Act 2015, where:

- a scheme member has a right to a "statutory transfer" and wants to transfer accrued LGPS benefits to another pension scheme;
- the transfer value of LGPS main scheme benefits (excluding AVCs) is £30,000 or more; and
- the transfer is to a scheme that offers flexible benefits;

the member must provide evidence that they have sought advice from an FCA approved adviser. Once suitable regulations are laid, the Pensions Act 2021 allows there to be tougher conditions for members to meet to be entitled to a transfer out, and the administering authority will have more power to refuse a transfer where they suspect it could be a scam.

## **11. Risk Implications**

- 11.1 These reforms introduce a number of risks to the Fund, with the key aspect relating to the delivery of the reforms without impacting business as usual and other initiatives in the Fund's Three Year Business Plan, it is important that the Board do not underestimate the potential impact of this risk which is significant. There are also risks around accuracy of processes and communications.

## **12. Communication Implications**

- 12.1 The introduction of these changes will require major communications exercises with both Scheme Members and Employers, as well as internally in relation to governance arrangements. The most immediate impact relates to HMT disapplying the £95k exit cap, and Fund Officers are already liaising with Employers in relation to this development.

## **13. Finance and Resource Implications**

- 13.1 There will be a significant amount of additional work for the Fund to participate in consultations, and delivery of these and other areas of regulatory change. The impact is expected to continue for three to four years (in the main due to McCloud). Resource implications have been considered and proposals developed by the Interim Director for Essex Pension Fund is currently with the

S151 Officer for consideration. If all areas are impacted simultaneously the costs will be in the region of c.492k per annum in the short to medium term.

#### **14. Background Papers**

- 14.1 [letter from MHCLG to administering authorities and council Chief Executives](#), 04 March 2021
- 14.2 [Restriction of Public Sector Exit Payments \(Revocation\) Regulations 2021](#), 25 February 2021
- 14.3 [https://lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)
- 14.4 [https://lgpsboard.org/images/Other/Annex\\_to\\_Good\\_Governance\\_letter\\_110221.pdf](https://lgpsboard.org/images/Other/Annex_to_Good_Governance_letter_110221.pdf).
- 14.5 Government Consultations and Reform Update, PSB 03, 16 December 2020.
- 14.6 LGPS Regulatory Reform and Resource Implications, PSB 15, 23 September 2020.

### **Good Governance Project Recommendations**

#### *General*

- A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below (“the Guidance”).
- A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”).
- A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.

#### *Conflicts of interest*

- B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.
- B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

#### *Representation*

- C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.

#### *Knowledge and understanding*

- D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

- D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
- D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.

#### *Service Delivery for the LGPS Function*

- E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.
- E.2 Each administering authority must publish an administration strategy.
- E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
- E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

#### *Compliance and improvement*

- F.1 Each administering authority must undergo a biennial Independent Governance Review (IGR) and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
- F.2 LGA to consider establishing a peer review process for LGPS Funds.

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 06</b>
<b>Date: 17 March 2021</b>	

## **Governance Review and Effectiveness Survey**

Report by the Independent Governance and Administration Adviser (IGAA)

Enquiries to Karen McWilliam on 07711016707

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### **1. Purpose of the Report**

- 1.1 To provide an update from the recent survey of Pension Strategy Board (PSB) and Investment Steering Committee (ISC) Members which is a key input into the review of the effectiveness of the Fund's governance arrangements which is being undertaken by the Fund's IGAA.

### **2. Recommendation**

- 2.1 The Board should note the high level summary in this report and the next steps outlined in Section 5.

### **3. Overview**

- 3.1 As part of the IGAA's review of the effectiveness of the Fund's governance, a brief survey was carried out in February 2021 asking for Members' views on 20 questions relating to areas including:
- Meeting effectiveness and decision making;
  - Accessibility, format, usefulness of information;
  - Knowledge and understanding;
  - Governance structure;
  - Risk management; and
  - Business planning/Vision for the future.
- 3.2 A mixture of electronic and paper responses were received from the 11 Members of the PSB and 1 substitute who regularly observes the PSB/ISC meetings (i.e. 100% response rate).

### **4. Findings**

- 4.1 The responses show an extremely positive view of the governance of the Fund from both PSB and ISC Members. There is a strong understanding of the roles and responsibilities on both the PSB and ISC. Members state that they understand the implications of the decisions they make at PSB/ISC meetings and have the required information to make those decisions. Members have a strong understanding of risk management and also feel fully integrated in the business planning process.
- 4.2 Most members were of the view that the effectiveness of governance during the Covid-19 pandemic had been maintained with the majority stating that the effectiveness of governance of the Fund has either improved or stayed the same in the last two years.
- 4.3 No significant issues were raised. There were some helpful comments highlighting areas for consideration which will be taken into consideration when I present my final report.



## **5. Next steps**

- 5.1 Full details of the findings will be brought to a future meeting along with the findings of the Pension Advisory Board's (PAB's) interactive Governance Effectiveness Workshop which will take place this afternoon.

## **6. Risk Implications**

- 6.1 A review of the effectiveness of the Fund's governance is particularly important given the Fund's key risks are managed as part of the governance arrangements.

## **7. Communication Implications**

- 7.1 Other than ongoing reporting to PSB as to the findings of the review there are no communication implications.

## **8. Finance and Resource Implications**

- 8.1 These are met within the 2020/21 Budget and the proposed 2021/22 Budget.



<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07a</b>
<b>Date: 17 March 2021</b>	

## **Investment Steering Committee (ISC) Quarterly Report**

Report by the Investment Manager

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Enquiries to Samantha Andrews: 03330 138501

### **1. Purpose of the Report**

- 1.1 To provide a report on the ISC activity since the last Essex Pension Fund Strategy Board meeting.

### **2. Recommendations**

- 2.1 The Board agree that the report be noted.

### **3. Background**

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Essex Pension Fund Strategy Board (the Board).
- 3.2 Since the Board's last meeting the ISC has met on one occasion, 20 January 2021.

### **4. Report of the meeting of ISC on 20 January 2021**

- 4.1 The Committee were provided with a report summarising the current views on the Fund's Investment Managers including Responsible Investment ratings where available.
- 4.2 Details of the Fund's investment manager performance for the quarter ended 30 September 2020 was presented to the Committee along with an update on provisional value of the Fund as at 31 December 2020. Members were pleased to note that the Fund value had reached a new high of £8.4bn.
- 4.3 An update was also provided in respect of the Property Mandate where Members were advised that a report along with recommendations would be brought to a future meeting for the Committee to consider.
- 4.4 It was confirmed that the decision to further trim Baillie Gifford's overweight position by £110m had been implemented with the proceeds transferred to M&G's active bond mandate. The Committee **agreed** to proceed with the third tranche of rebalancing of its mandate by trimming the overweight position by a further £110m with the possibility that further rebalancing may be required in the future.
- 4.5 Members were reminded of the Competition and Markets Authority (CMA) requirement to set strategic objectives for the Fund's Institutional Consultant. On 14 December 2020 a meeting was held with the Chairman, Vice Chairman, Interim Director for Essex Pension Fund, Investment Manager and John Dickson from Hymans Robertson where progress against the objectives was reassessed. It was confirmed that the requirement to submit by the 7 January 2021 a Statement of Compliance to the CMA had been actioned on 21 December 2020.

- 4.6 The Committee received an update outlining the latest developments in respect of the structural reform of the LGPS which included confirmation that the revised Inter-Authority Agreement (IAA) had been agreed at Essex County Council's Full Council meeting on 8 December 2020 and was now reflected within the ECC Constitution and the three amendments agreed to the Operator Agreement had also been actioned.
- 4.7 Updates were provided in regard to the 12 November 2020 ACCESS Joint Committee (AJC) meeting which included: the agreement to appoint Engine MHP to support external communications; an update on sub fund launches; the pooling of alternative assets; the procurement for external professional advice to assist on Environment, Social and Governance (ESG)/Responsible Investment (RI) matters; and the Business Plan. Members also noted that Hymans Robertson delivered a BAU Evaluation Workshop to AJC Members.
- 4.8 A verbal update from the 13 January 2021 AJC meeting was also provided along with confirmation that the full Agenda would be circulated once the Agenda Pack and Summary Note become available.
- 4.9 The main focus of the meeting's business was in regard to the Asset Liability Review undertaken as part of the wider review of the Fund's Investment Strategy following the 2019 Actuarial Valuation. Following an interactive training session and presentation, Members **agreed** that the programme of de-risking continued to remain appropriate. However, it was agreed that in light of the results, the composition of Stage 3 needed to be revisited to avoid unnecessary churn and cost in the future.
- 4.10 A further training session was provided by Hymans Robertson on how the Committee could ensure that the Fund's passively managed assets were invested in line with the Fund's Responsible Investment (RI) Policy. Following a recap of the Beliefs that helped formulate the RI Policy, Members were divided into two breakout groups to ascertain their views which were subsequently reported back to the main Committee meeting.
- 4.11 Members noted that these discussions would form the basis for further consideration.
- 4.12 The Committee also received an update in regard to the Fund's investment related procurements. The decisions in relation to these included:

- the **agreement** that the Fund participate in the collective procurement of the provision of Global Custodian Services with other participating ACCESS funds;
- the update in regard to the Direct Lending Manager procurement;
- the ratification of the process undertaken and outcome regarding the reappointment of Mark Stevens as the Independent Investment Adviser to the Fund, for a term of three years; and
- the **agreement** to the proposed approach, process and timeframe for the re-tender of the Institutional Investment Consultant (IIC).

## 5. Link to Essex Pension Fund Objectives

### 5.1 Investments:

- To maximise the returns from investments within reasonable risk parameters;
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented; and
- Ensure investment issues are communicated appropriately to the Fund's stakeholders.

## 6. Risk Implications

6.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement and the Fund's Risk Register.

6.2 No new risks have been identified during the quarter.

## **7. Communication Implications**

- 7.1 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

## **8. Finance and Resources Implications**

- 8.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £98,000 in 2020/21.
- 8.2 The cost to the Fund was:
- £62,866 in 2019/20;
  - £116,000 in 2018/19;
  - £94,000 in 2017/18; and
  - £80,000 in 2016/17.

## **9. Background Papers**

- 9.1 ISC meeting of 20 January 2021– Agenda and draft Minutes.





<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07b</b>
<b>Date: 17 March 2021</b>	

## **Essex Pension Fund Advisory Board (PAB) Quarterly Report**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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### **1. Purpose of the Report**

- 1.1 To provide the Board with an update on the PAB activity since the last Board meeting.

### **2. Recommendations**

- 2.1 That the Board should note the report.

### **3. Background**

- 3.1 The Essex Pension Fund Advisory Board (PAB) was 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 Local Government Pension Scheme (LGPS) Regulations 2013.
- 3.2 Since the PSB's last meeting, the PAB has met on one occasion on the 16 December 2020.

### **4. Report of the meeting of PAB on 16 December 2020**

- 4.1 The PAB received a report from the Interim Director for Essex Pension Fund outlining the work undertaken by the PSB at their 16 December 2020 meeting which had taken place that morning.
- 4.2 Points covered were:
- the amber measures within the Scorecard relating to PAB Member Training Credits and Attendance at their meetings;
  - the PAB Independent Chairman arrangements, with the agreement of an extension to Nicola Mark's Term of Office to January 2022; and
  - the decision made by the PSB to approve the Employer Ill Health and Death in Service Policy.
- 4.3 PAB Agenda Items discussed included:
- the PAB review of the Fund's Business Continuity Arrangements assigned by PSB at the PAB's 25 September 2019 meeting – a report containing a new Business Continuity Policy and revised Business Continuity Plan (BCP) was presented to the PAB. Following discussions, the finalised BCP was recirculated to PAB Members whereby agreement was given that it now be presented to the PSB's for its consideration and approval. The report is provided at item 4c of this Agenda;
  - the PAB review of the Fund's Annual Survey's assigned by the PSB at their 23 September 2020 meeting – a report was provided outlining the

findings of the work undertaken by the Task and Finish Group along with recommendations for the PSB to consider at their 17 March 2021 meeting. A report is provided at Agenda Item 3b of this Agenda pack.

- The Pensions Regulator (TPR) Code of Practice – a report was presented to the PAB detailing the Fund's level of compliance against the Pensions Regulator's Code of Practice 14. This has been provided at Appendix A to this report. The PAB noted the Fund's 100% compliance in all areas assessed showing an improved position over the last year.

## **5. Link to Essex Pension Fund Objectives**

- 5.1 Ensure compliance with the LGPS regulations, other relevant legislation, and the Pensions Regulator's Codes of Practice.

## **6. Risk Implications**

- 6.1 Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss.

## **7. Background Papers**

- 7.1 PAB notes of 16 December 2020 meeting.
- 7.2 The Pension Regulator Code of Practice 14 Compliance, PAB 06, 16 December 2020.
- 7.3 PAB notes of 23 September 2020 meeting.
- 7.4 PSB Minutes of 23 September 2020 meeting.
- 7.5 PAB Quarterly Report, PAB 10, 04 March 2020.
- 7.6 PAB notes of 25 September 2019 meeting.



<b>Essex Pension Fund Advisory Board</b>	<b>PAB 06</b>
<b>Date: 16 December 2020</b>	

## **The Pension Regulator Code of Practice 14 Compliance**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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### **1. Purpose of the Report**

- 1.1 To provide the Board with the results of the Fund's self-assessment compliance check against The Pension Regulator (TPR) Code of Practice 14 assessment tool for Public Service Pension Schemes.

### **2. Recommendation**

- 2.1 The Board to note the content of the report.

### **3. Background**

- 3.1 TPR state that it is important for Scheme Managers to assess how they are running their public service pension scheme so that they can identify any areas in need of improvement.
- 3.2 It is expected all schemes will carry out a thorough review of their scheme against legal requirements and the guidance in Code of Practice 14 and acknowledge that this requirement is a significant piece of work.
- 3.3 TPR's Code of Practice 14 provides Scheme Managers and Pension Board Members with their key governance and administration duties, standards of conduct and practice that TPR expect in relation to those duties, and practical guidance on how they can comply. A guide to the Public Service Code is provided at Appendix A which contains information where to find the full version of Code 14.
- 3.4 To enable Scheme Managers to assess their level of compliance to the code, TPR have produced a tool which sets out some processes, tools and actions they expect to see in a well-run scheme.
- 3.5 The tool provides an indicative risk rating for the scheme in certain key areas, as well as guidance and links to further information. It also provides a template for the Scheme Manager to create a plan to address any issues identified and to help the Scheme Manager achieve best practice.

### **4. Assessment**

- 4.1 Fund Officers provided the Board with the Fund's 2019 self-assessment at their 15 January 2020 meeting. During that time the Fund's results were:
  - two Amber scores (75% compliance) with two areas of improvement identified within governing your scheme;
  - 100% compliance with one area of improvement identified within managing risk and issues; and
  - 100% compliance with one area of improvement identified within administration.
- 4.2 Fund Officers have conducted the 2020 self-assessment, again using the Assessment Tool provided by TPR and have attached the Results at Appendix B along with an Action Plan at Appendix C of this report. The Board should note that the Fund is now 100% compliant in all areas.

- 4.3 The report will also be shared with the PSB as part of the PAB Quarterly Report update at their March 2021 meeting.

## **5. The Singular Modular Code**

- 5.1 The Fund's Independent Governance & Administration Adviser (IGAA) has advised Officers that with the consultation in relation to TPRs new Singular Modular Code due out by February 2021, this is likely to be the last TPR Code of Practice 14 Compliance report that the Board will receive.
- 5.2 Once more information in relation to the new Singular Modular Code, the Fund, in consultation with the IGAA, will notify the Board.

## **6. Link to Essex Pension Fund Objectives**

- 6.1 Conducting a self-assessment against TPR Code of Practice 14 will assist the Board in achieving the following Fund objectives:
- Act with integrity and be accountable to our stakeholders;
  - Ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise; and
  - Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

## **7. Risk Implications**

- 7.1 Failure to comply with TPR Code of Practice 14 could result in:
- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage;
  - A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables; and
  - Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss.

## **8. Communication Implications**

- 8.1 Other than ongoing reporting to the Board, there are no communications implications.

## **9. Finance and Resources Implications**

- 9.1 None.

## **10. Background Papers**

- 10.1 The Pensions Regulator: Code 14: Governance and Administration of Public Service Pension Schemes.
- 10.2 TPR Code of Practice 14 Compliance, PAB 05, 15 January 2020.

PAB Report



Information  
for scheme  
managers and  
pension board  
members

# The essential guide to the public service code

PAB Repro

**Code of practice no. 14 – Governance and administration of public service pension schemes** helps you understand how to approach the administration and governance of a public service scheme. The full version of the code can be viewed at [www.tpr.gov.uk/code14](http://www.tpr.gov.uk/code14).

This essential guide provides an overview of the code and gives details of where to go to find out more. It can help you use the code but is obviously not exhaustive and it's not a substitute for reading the full code – which we expect all those involved with public service schemes to do.

## What is a code of practice?

Codes help the people who run pension schemes fulfil their legal duties. They aren't statements of the law, but they outline an approach that schemes can take to complying with the law. The courts have to take account of codes when considering whether legal requirements have been met, and we may refer to them when we exercise our powers.

**Code of practice no. 14 – Governance and administration of public service pension schemes** (the public service code) was laid before Parliament in January 2015.

## The public service code

This code provides scheme managers and pension board members with a summary of their key governance and administration duties, standards of conduct and practice we expect in relation to those duties, and practical guidance on how they can comply.

# Governance

## Knowledge and understanding

It's crucial that the people responsible for public service schemes know how to govern them as efficiently and effectively as possible. At the most basic level, pension board members need to understand how the scheme works so that they can effectively assist the scheme manager. However, there is a specific requirement for pension board members to have knowledge and understanding of the following areas:

- the scheme rules, eg eligibility for the scheme and scheme benefits
- documented administration policies, eg risk assessments/management, reporting breaches, keeping records and the responsibilities of the scheme manager, the pension board and individual pension board members, and
- the law relating to pensions eg relevant law that applies to their scheme.

There are also other areas that need to be understood if a scheme is to be governed well.

Schemes should keep track of training and other learning activities undertaken by board members and there should be someone responsible for ensuring that a training programme is developed and implemented. This should include preparing a list of the documents that pension board members need to be familiar with.

Pension board members should invest time in their learning and development and regularly undertake a personal training needs analysis to review their skills and knowledge.

Our e-learning programme can help meet the needs of pension board members, whether or not they have access to other learning.

## Conflicts of interest

It's important to be aware of any potential conflicts of interest on a pension board. A conflict of interest occurs when an individual has another interest which is likely to prejudice the way they carry out their role as a pension board member.

The scheme manager of a public service scheme must be satisfied that no pension board member has a conflict of interest. Schemes should have an agreed and documented policy which includes identifying, monitoring and managing potential conflicts of interest.

## Representation on pension boards

Having a variety of people and representation on the pension board should help to ensure that pension board discussions or decisions take into account the views and interests of those involved in the scheme.

Pension boards must have an equal number of employer and member representatives. It is also important for schemes to consider the mix of skills and experience needed on their pension boards so that they operate effectively.

See the chapter of the code entitled 'Governing your scheme' for more detailed information about knowledge and understanding, conflicts of interest and representation on pension boards.

## Risk

### Internal controls

Good internal controls are crucial. These are the arrangements, systems and procedures that the scheme has in place for scheme administration and management, overseeing that administration and management, and the security of scheme assets. Scheme managers must establish and operate controls which are adequate for ensuring that the scheme is administered and managed in line with the scheme rules.

Internal controls can help protect schemes from risks which could be detrimental to the scheme and the members if they are not addressed.

Schemes should ensure that sufficient time and attention is spent identifying, evaluating and managing risks. This includes developing and monitoring the controls that they use to keep these risks in check.

All schemes should carry out a risk assessment. Start by:

- setting out the objectives of the scheme
- identifying the activities that are carried out in the course of running the scheme, and
- pinpointing the main risks that could mean that the objectives and activities aren't met or delivered.

Not all risks are equal. Consider how likely they are to occur and the impact that they could have when deciding an order of priority for managing risks. Schemes should focus on risks where the likelihood and impact of one materialising is high.

Once risks are identified and assessed, they should be recorded in a risk register and reviewed regularly. For each risk there should be one or more internal controls to address it. See the chapter of the code entitled 'Managing risks' for more detailed information.

## Administration

### Keeping records

Complete, accurate and up-to-date records are key to the effective administration of a public service scheme. Good records make it easier to communicate, allocate contributions and pay benefits to the right people at the right time, without making costly mistakes. Scheme managers must keep the records set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

To ensure that the appropriate records are kept, they should be discussed and reviewed regularly. If there are problems with scheme records, there should be a plan to resolve them. Doing this early can save significant expense later.

It's important to regularly evaluate the accuracy of member records and that the scheme receives timely and accurate member updates from participating employers.

Schemes should review records at least annually, which should include an assessment of the accuracy and completeness of the information held. If a scheme outsources the management of records there must be effective controls in place to ensure the integrity of those records.

## Maintaining contributions

Receiving accurate contributions on time is very important. Contributions that are late or go unpaid may need to be reported to us.

Where member contributions are deducted from their pay, the amount deducted must be paid to the scheme by the 19th day of the month following the deduction (or by the 22nd day if paid electronically).

Employer contributions must be paid to the scheme in line with any requirements in the scheme regulations.

A public service scheme should have an effective process to identify and resolve payment failures with the employer. If scheme managers think that a payment failure is likely to be of material significance to us then it must be reported to us.

## Providing information to members

The information communicated to members will affect the decisions they make about their pension. This, in turn, can have a major bearing on the value of their pension.

Communications to members should be clear and easy to understand. They should avoid jargon and recognise that many members may not be familiar with financial words and phrases.

A range of methods to provide general information to members can be used, including post and email, although in some cases a particular method must be used, and in others a specific procedure must be followed before providing information electronically.

There is some specific information which must be provided to members (or prospective members), like basic scheme details when they join and annual statements showing the value of their benefits. Other information, for example about transfer credits or the constitution of the scheme, must be provided upon request from members (or others) (unless an exemption applies).

See the chapter of the code entitled 'Administration' for more detailed information on record-keeping, maintaining contributions and providing members with information.

# Resolving issues

Whether it relates to a breach of the law or a complaint from a member, issues that arise in public service schemes should be dealt with promptly and effectively.

## Internal disputes

Schemes must have an internal dispute resolution procedure (IDRP) to help resolve issues raised by members and others with an interest in the scheme. The IDRP can have one or two stages and decisions must be made and communicated within a reasonable period of the issue being raised under IDRP. The IDRP must state how someone can apply to have a pension dispute resolved (including any time limits), the details which must be included, and how and by when decisions are to be reached.

Members and others who make a complaint must be given information about The Pensions Advisory Service when the complaint is received, and the Pensions Ombudsman, when the decision is given, who may be able to help them.

## Reporting breaches of the law

It's important that breaches of the law are identified and assessed quickly, and reported if necessary. Scheme managers and pension board members (amongst others) must report breaches which they consider likely to be of material significance to us, so there should be effective procedures to enable them to identify and assess breaches. These should include giving those involved with public service schemes the opportunity to raise concerns, consider risks, and where necessary submit a report within an appropriate timescale. Do not wait for someone else to report.

We have an online service called **Exchange** where reports can be made. If they don't use **Exchange**, schemes should report to us by post, email or fax. We will not disclose information reported to us except where we are required to do so by a court and we'll take all reasonable steps to maintain reporter confidentiality.

See the chapter of the code entitled 'Resolving disputes' for more detailed information about the dispute and breach procedures that should be in place.

This document relates to Code of practice no. 14 – Governance and administration of public service pension schemes, which has been laid before Parliament and the Northern Ireland Assembly. The code is currently subject to Parliamentary and Assembly procedure and has no legal effect until it is brought into force by order. This document should be read in the light of this.

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### **An essential guide to the public service code**

Information for scheme managers and pension board members

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Results

Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR’s 2015 survey into the Governance and Administration of Public Service Schemes.

A summary of your results



## Results - Governing your scheme

Question 1 - Have you clearly defined and recorded the roles and responsibilities of the pension board?		
Your Answer:	Yes	Green
Feedback:	<p>You should keep roles and responsibilities under review, in particular considering any changes to scheme regulations or working arrangements (eg where certain functions are delegated by the scheme manager). Roles and responsibilities should be made clear during the board member appointment process, so they are clear about what is expected of them and what the role entails.</p> <p>You should also ensure these are communicated and understood by relevant parties such as the administrator, members or in the case of local government pension schemes, the pension committee, eg by publishing them alongside other pension board information.</p>	
Question 2 - Have you published information about the pension board and ensured it is kept up to date?		
Your Answer:	Yes – we publish information to legal requirements and provide additional information about the pension board and board business	Green
Feedback:	<p>Our code of practice sets out examples of additional information you may wish to consider publishing if you don't already do so. You should monitor all published data to ensure it remains accurate and complete.</p> <p>You should also ensure that the information is suitably accessible – it should be available to all scheme members and all staff who are eligible to be automatically enrolled into the scheme without them needing to ask for it. Further information is on our website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Publishing information about schemes</a> <a href="#">Website: Publishing scheme information</a>	

### Question 3 - Do you have policies and arrangements in place to help pension board members acquire and retain the requisite knowledge and understanding?

Your Answer:	Yes	Green
Feedback:	<p>Clearly defined policies and arrangements can help board members meet their legal obligations around knowledge and understanding. Four in five public service schemes have put such arrangements in place.</p> <p>You should keep your processes under regular review to ensure they remain effective and fit for purpose.</p>	
Useful Links:	<a href="#">Code of Practice 14: Knowledge and understanding required by pension board members</a>	

### Question 4 - Do you use the following for your pension board? a) Training Plans

Your Answer:	Yes	Green
Feedback:	<p>Board members should regularly review their skills, knowledge and competencies to identify gaps and weaknesses, and should invest sufficient time in their learning and development.</p> <p>Many schemes use pension board training plans to help board members acquire and retain knowledge and understanding. If you don't already do so, you may wish to consider the use of individual training plans as the training needed may vary according to each member's role and expertise. Further information is in our code and our quick guide to personal development.</p>	

b) Individual training needs analysis		
Your Answer:	Yes	Green
Feedback:	<p>Using individual training needs analysis can help board members identify specific individual training needs.</p> <p>Training is an important part of the pension board members' role and they should invest sufficient time in their learning and development alongside their other responsibilities and duties. Board members should keep their skills, knowledge and competencies under regular review to identify gaps and weaknesses for further training.</p>	
c) Training log		
Your Answer:	Yes	Green
Feedback:	<p>Many schemes use training logs to help board members track their learning. They help you demonstrate steps you have taken to comply with legal requirements.</p> <p>You should regularly review the training log to ensure that risks associated with knowledge gaps are being mitigated. Board members should keep their skills, knowledge and competencies under regular review to identify gaps and weaknesses for further training.</p>	
Useful Links:	<p><a href="#">Code of Practice 14: Knowledge and understanding required by pension board members</a></p> <p><a href="#">Quick guide to personal development</a></p> <p><a href="#">Template: Assessing your Learning Needs</a></p>	

**Question 5 - Do you have a conflicts policy and procedure for pension board members?**

Your Answer:	Yes	Green
Feedback:	<p>Nine in ten public service schemes have put conflicts policies and procedures in place for board members. These help identify, monitor and manage any interests that have the potential to become conflicts.</p> <p>You should review the policy and procedures regularly to ensure they remain fit for purpose.</p>	
Useful Links:	<a href="#">Code of Practice 14: Conflicts of interest and representation</a>	

**Question 6 - Do you have a register of interests (or equivalent)?**

Your Answer:	Yes	Green
Feedback:	<p>A register is a simple and effective way of recording and monitoring interests.</p> <p>Conflicts should be included as an opening agenda item at pension board meetings and you should capture decisions about how to manage potential conflicts. The register of interests should be circulated to the pension board for ongoing review and published, for example on a scheme's website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Conflicts of interest and representation</a>	

## Results - Managing risks and issues

Question 1 - Do you have procedures in place for assessing and managing risk?		
Your Answer:	Yes	Green
Feedback:	<p>You should review your processes regularly to ensure they remain effective and fit for purpose. Seven in ten public service schemes aim to review the effectiveness of their risk management and internal controls systems at least annually. Our code provides practical guidance on risk management to consider in your review.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a> <a href="#">Checklist: Internal Controls</a>	

Question 2 - Do you have a risk register?		
Your Answer:	Yes	Green
Feedback:	<p>You should review risks regularly. Three in five public service schemes assess risks at least every quarter.</p> <p>The risk register, and any other internal controls you put in place, should be kept under review to ensure that they remain effective and fit for purpose.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a> <a href="#">Example Risk Register</a>	

### Question 3 - Where you have outsourced services, do you ensure that providers demonstrate that they have internal controls in place?

Your Answer:	Yes	Green
Feedback:	<p>You should review the effectiveness of your internal controls regularly, including those of your outsourced service providers.</p> <p>You should ensure that you receive sufficient assurance from providers on the services they provide – it should be sufficiently detailed and comprehensive for you to properly assess the effectiveness of their internal controls. Our code provides further guidance on internal controls.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a>	

### Question 4 - Do you have a service level agreement, or equivalent, in place with your scheme administrators, whether in house or outsourced?

Your Answer:	Yes	Green
Feedback:	<p>The administration of the scheme is where a larger proportion of the scheme manager's duties are carried out – it is vital that you pay attention to the way your scheme is administered.</p> <p>You should ask the administrator to attend relevant meetings, as this will help you better understand the administration function and identify improvements.</p> <p>You should regularly monitor the performance of your administrator against documented targets and take steps to address areas of poor performance.</p>	
Useful Links:	<a href="#">Code of Practice 14: Managing risks</a>	

**Question 5 - Are your internal dispute resolution arrangements clearly communicated to members and others?**

Your Answer:	Yes	Green
Feedback:	<p>You should consider using a variety of ways to communicate your arrangements to members, for example in joining booklets, benefit letters or decision letters. Schemes should also make their arrangements accessible to potential applicants, for example by publishing them on a scheme website, as some public service schemes do.</p> <p>You should ensure that the effectiveness of the arrangements is assessed regularly. Further information on internal dispute resolution is available in our code.</p>	
Useful Links:	<a href="#">Code of Practice 14: Internal dispute resolution</a>	

**Question 6 - Do you have procedures in place to identify, assess and report breaches of the law?**

Your Answer:	Yes	Green
Feedback:	<p>You should review your procedures regularly so they remain effective and fit for purpose. Some pension boards have made breach monitoring a standing agenda item, where they review all breaches (whether significantly material or not) to track progress and ensure issues are addressed.</p> <p>If a breach does occur and you think it is of material significance to us, you should report it to us as soon as possible. Don't wait for the issue to be resolved. Our code details information you should include in a report.</p>	
Useful Links:	<a href="#">Code of Practice 14: Reporting breaches of the law</a>	



## Results - Administration

### Question 1 - Do you have a process in place to ensure that information is provided to TPR as required (eg through the scheme return)?

Your Answer:	Yes	Green
Feedback:	<p>You must provide us with certain information and keep this information up to date, and complete a scheme return when asked.</p> <p>To help you meet your legal obligations, you should provide us with a 'scheme contact' via our online portal Exchange and make sure this information is kept up to date in light of role changes. Larger schemes may wish to provide several people with access to Exchange.</p>	
Useful Links:	<a href="#">Website: Reporting requirements</a> <a href="#">Exchange</a>	

### Question 2 - Do you have processes in place to monitor scheme records for all membership types on an ongoing basis and ensure they are accurate and complete?

Your Answer:	Yes	Green
Feedback:	<p>Processes should cover all membership types and you should review your these regularly to ensure they remain effective and fit for purpose. Guidance can be found in our code and on our website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Scheme record-keeping</a> <a href="#">Website: Types of records to keep</a>	

### Question 3 - Do you have controls in place to ensure that your employer(s) provides timely, accurate and complete data?

Your Answer:	Yes	Green
Feedback:	<p>Receiving good data from your employer(s) is key to your ability to maintain accurate scheme records. Though nine in ten public service schemes require employers to provide timely, accurate and complete data, schemes have reported that a significant proportion of employers do not provide this as a matter of course. This can create significant record-keeping issues, even in single employer schemes.</p> <p>You should work with employers to ensure that scheme and employer processes are effective and fit for purpose. Our guide to issuing annual benefit statements highlights examples of best practice for communicating and working with employers.</p>	
Useful Links:	<a href="#">Code of Practice 14: Scheme record-keeping</a> <a href="#">Quick guide to issuing annual benefit statements</a>	

### Question 4 - When did you last carry out a data review exercise?

Your Answer:	Within the last year	Green
Feedback:	<p>You should continue to carry out a data review at least annually. Data records should be additionally reviewed and cleansed when you change administrator or administration system/platform.</p> <p>Further information on record-keeping can be found in our code and on our website.</p>	
Useful Links:	<a href="#">Code of Practice 14: Scheme record-keeping</a> <a href="#">Website: Types of records to keep</a>	

### Question 5 - Where you have identified poor quality or missing data, do you have an improvement plan to address issues?

Your Answer:	Yes	Green
Feedback:	Your plan should have specific data improvement measures that you can monitor and an end date within a reasonable timeframe when the scheme will have complete and accurate data.	

### Question 6 - Do you have processes in place for monitoring scheme contributions, resolving issues and assessing whether to report payment failures to TPR?

Your Answer:	Yes	Green
Feedback:	You should review your processes regularly to ensure they remain effective and fit for purpose. Guidance can be found in our code and our Managing contributions checklist.	
Useful Links:	<a href="#">Code of practice 14: Maintaining contributions</a> <a href="#">Checklist: Managing contributions</a>	

### Question 7 - Have you reviewed your processes for issuing annual benefit statements to ensure they are fit for purpose?

Your Answer:	Yes	Green
Feedback:	<p>You should proactively address issues that arose in the previous year and ensure remedial work is completed before the next cycle. You should also consider reporting on the lessons learnt, for example to the pension board, employers or members.</p> <p>Some best practice examples to consider for future reviews are included in our guide to issuing annual benefit statements.</p>	
Useful Links:	<a href="#">Quick guide to issuing annual benefit statements</a>	

### Question 8 - Have you taken steps to ensure that member communications are clear, accurate and easily accessible?

Your Answer:	Yes	Green
Feedback:	<p>You should regularly review your member communications to ensure members are able to engage with their pension savings. You can find out about members' information needs and their views on your communications in a number of ways - by speaking to employee representatives on the pension boards, listening in on calls to the administrator, undertaking member surveys or even organising focus groups.</p>	

## Action plan

### Using this action plan

You can use this section to set out the actions you are planning to take to address any risks identified in your results report, or actions you will take to help you achieve best practice.

You should review progress against this plan regularly. To help you do so, you can put in a review date against each action.

### Action plan - Governing your scheme

#### Question 1 - Have you clearly defined and recorded the roles and responsibilities of the pension board?

Your Answer:	Yes	
Scheme Action Plan:	The annual review of the Terms of Reference for the Essex Pension Fund Advisory Board (PAB) including roles and responsibilities is currently underway and any amendments will be captured within the ECC Constitution.	
Review Date:	Mar-22	

#### Question 2 - Have you published information about the pension board and ensured it is kept up to date?

Your Answer:	Yes – we publish information to legal requirements and provide additional information about the pension board and board business	
Scheme Action Plan:	The annual review of the Governance Policy and Compliance Statement is currently underway and will be reported to the Essex Pension Fund Strategy Board (PSB) on 17 March 2021 for approval.	
Review Date:	Mar-21	

**Question 3 - Do you have policies and arrangements in place to help pension board members acquire and retain the requisite knowledge and understanding?**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have recently reviewed their Knowledge and Skills Strategy for Board/Committee Members for approval by the PSB at their 16 December 2020 meeting. Fund Officers monitor Members training against the Strategy and Plan using a Training Log. In addition to this, Members are encouraged to attend various conferences and seminars throughout the year.	
Review Date:	Dec-21	

**Question 4 - Do you use the following for your pension board?**

**a) Training Plans**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have recently reviewed their Knowledge and Skills Strategy for Board/Committee Members for approval by the PSB at their 16 December 2020 meeting. Fund Officers monitor Members training against the Strategy and Plan using a Training Log. In addition to this, Members are encouraged to attend various conferences and seminars throughout the year.	
Review Date:	Dec-21	

**b) Individual training needs analysis**

Your Answer:	Yes	
Scheme Action Plan:	Along with the development of the revised Knowledge and Skills Strategy and Training Plan for Board/Committee Members, a Training Needs Analysis has been developed and the Interim Director for Essex Pension Fund will commence these with each Board/Committee Member during Quarter 4 of 2020/21.	
Review Date:	Dec-21	

**c) Training log**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have recently reviewed their Knowledge and Skills Strategy for Board/Committee Members for approval by the PSB at their 16 December 2020 meeting. Fund Officers monitor Members training against the Strategy and Plan using a Training Log. In addition to this, Members are encouraged to attend various conferences and seminars throughout the year.	
Review Date:	Dec-21	

Question 5 - Do you have a conflicts policy and procedure for pension board members?		
Your Answer:	Yes	
Scheme Action Plan:	The Essex Pension Fund Strategy Board approved the Fund's Conflict of Interest Policy at their 4 March 2020 meeting.	
Review Date:	Mar-23	

Do you have a register of interests (or equivalent)?		
Your Answer:	Yes	
Scheme Action Plan:	This is maintained by the Fund's Compliance Team and is updated after each PSB, ISC and PAB meeting.	
Review Date:	Ongoing	

## Action plan - Managing risks and issues

Question 1 - Do you have procedures in place for assessing and managing risk?	
Your Answer:	Yes
Scheme Action Plan:	The Fund have a Risk Strategy that was approved by the Essex Pension Fund Strategy Board at their 23 September 2020 meeting.
Review Date:	Sep-23

Question 2 - Do you have a risk register?	
Your Answer:	Yes
Scheme Action Plan:	The Fund have a Risk Register which is maintained and updated as a continuous process. EPF Officers liaise with the Compliance Team to highlight any new risks as and when required. Risk are continually monitored and assessed by the Management Team but formally on a monthly basis at their MT Meeting.
Review Date:	Ongoing

Question 3 - Where you have outsourced services, do you ensure that providers demonstrate that they have internal controls in place?	
Your Answer:	Yes
Scheme Action Plan:	Fund Officers liaise with all 3rd party suppliers to ensure their mitigation actions are captured within the Fund's Risk Register.
Review Date:	Ongoing



**Question 4 - Do you have a service level agreement, or equivalent, in place with your scheme administrators, whether in house or outsourced?**

Your Answer:	Yes	
Scheme Action Plan:	A contract with CIVICA is monitored by the Systems Manager and Compliance Manager to ensure compliance against KPIs and the required Service Levels.	
Review Date:	Ongoing	

**Question 5 - Are your internal dispute resolution arrangements clearly communicated to members and others?**

Your Answer:	Yes	
Scheme Action Plan:	This is published on the Fund's Website and on all Retirement Letters.	
Review Date:	Ongoing	

**Question 6 - Do you have procedures in place to identify, assess and report breaches of the law?**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have developed a Policy for the Recording and Reporting of Breaches of the Law which was approved by the Essex Pension Fund Strategy Board 23 September 2020 meeting.	
Review Date:	Sep-23	

## Action plan - Administration

**Question 1 - Do you have a process in place to ensure that information is provided to TPR as required (eg through the scheme return)?**

Your Answer:	Yes	
Scheme Action Plan:	The Technical Hub Manager and Compliance Manager ensure all TPR returns are completed by the deadlines provided.	
Review Date:	Ongoing	

**Question 2 - Do you have processes in place to monitor scheme records for all membership types on an ongoing basis and ensure they are accurate and complete?**

Your Answer:	Yes	
Scheme Action Plan:	Regular monitoring is conducted by the Systems Team and any issues identified are communicated to the Management Team for action.	
Review Date:	Ongoing	

**Question 3 - Do you have controls in place to ensure that your employer(s) provides timely, accurate and complete data?**

Your Answer:	Yes	
Scheme Action Plan:	The Employer Team, Systems Team and Technical Hub Team ensure communications with Employers is utilised to the full. The Administration Strategy is the key document for communication between the Fund and its Employers detailing what is required and when.	
Review Date:	Ongoing	

**Question 4 - When did you last carry out a data review exercise?**

Your Answer:	Within the last year	
Scheme Action Plan:	The Systems Team carry out regular reviews on the data held within UPM (Pension Administration Software provided by CIVICA).	
Review Date:	Ongoing	

**Question 5 - Where you have identified poor quality or missing data, do you have an improvement plan to address issues?**

Your Answer:	Yes	
Scheme Action Plan:	The Fund have an annual data cleansing exercise that is carried out at year end. In addition to this, the Fund have been maintaining a data improvement plan since October 2018 to ensure 'Common Data' is clean to a 95% target. The Fund have also started to include the TPR scheme specific data reporting within the improvement plan.	
Review Date:	Ongoing	

**Question 6 - Do you have processes in place for monitoring scheme contributions, resolving issues and assessing whether to report payment failures to TPR?**

Your Answer:	Yes	
Scheme Action Plan:	This is managed through the Employer Team, Systems Team and Technical Hub Team through the Administration Strategy.	
Review Date:	Ongoing	

**Question 7 - Have you reviewed your processes for issuing annual benefit statements to ensure they are fit for purpose?**

Your Answer:	Yes	
Scheme Action Plan:	This is reviewed annually to capture lessons learnt from the issuing of ABS.	
Review Date:	Annually	

**Question 8 - Have you taken steps to ensure that member communications are clear, accurate and easily accessible?**

Your Answer:	Yes	
Scheme Action Plan:	The Communications Policy was reviewed by Fund Officers and approved by the Essex Pension Fund Strategy Board at their 4 March 2020 meeting.	
Review Date:	Mar-23	

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 07c</b>
<b>Date: 17 March 2021</b>	

## **Essex Pension Fund Advisory Board (PAB) Recruitment**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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### **1. Purpose of the Report**

- 1.1 To notify the Board of a current vacancy on the Essex Pension Fund Advisory Board (PAB) and to outline the proposed recruitment process for the Board's consideration.
- 1.2 In addition, to notify the Board of the upcoming vacancy on the PAB for the Scheme Member representative (UNISON) and the process.

### **2. Recommendations**

- 2.1 That the Board **agrees**:
  - for Fund Officers to commence the recruitment process for a Scheme Member representative;
  - the proposed timetable for the recruitment; and
  - for Fund Officers to liaise with UNISON to establish whether they re-appoint the current incumbent or nominate a new Member, for a term up to six years.
- 2.2 That the Board note:
  - the resignation of a Scheme Member representative on the PAB and the subsequent vacancy;

- the Membership of the of the Appointment's Panel in line with the PAB's Terms of Reference; and
- the content of the report.

### **3. Background**

- 3.1 The PAB is appointed by Essex County Council as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013.
- 3.2 In line with the PAB's Terms of Reference, it shall consist of nine members and be comprised of:
- i. Four employer representatives made up of one from each of the following groups of employers in the Essex Pension Fund:
    - Essex County Council (an elected member);
    - the District, City and Borough Councils of Essex (an elected member);
    - Southend-on-Sea and Thurrock Unitary Authorities (an elected member);
    - all other employers;
  - ii. four scheme member representatives of which:
    - one will be nominated by the trade unions; and
    - the rest will be drawn from the total Essex Pension Fund active, deferred and pensioner membership;
  - iii. one independent Chairman.

### **4. Proposed Process for the Scheme Member Representative**

- 4.1 A resignation from a Scheme Member representative has resulted in a vacancy and a recruitment process is therefore now required.
- 4.2 An Appointment's Panel should be set up in line with the PAB's Terms of Reference to include:
- the Chairman of the PSB;

- the Scheme Member representative from the PSB; and
- the Interim Director for Essex Pension Fund.

Advice from the Independent Governance & Administration Adviser (IGAA) may be sought if required.

- 4.3 The Scheme Member representative will be appointed through a clear and transparent process via advertisement through various communication media.

## 5. Timetable

- 5.1 The proposed timetable for the Scheme Member representative recruitment has been detailed below:

Date	Action	Owner
17 March 2021	PSB agree the panel, timetable and process	PSB
End March 2021	Advertising of vacancy via: <ul style="list-style-type: none"> <li>• Employer communications;</li> <li>• Essex Pension Fund Website news item; and</li> <li>• Essex County Council Intranet news item.</li> </ul>	Fund Officers
Week Commencing 19 April 2021	Closing of advertisement and internal sifting	Fund Officers
26 April 2021	Interview by the Appointments Panel	Chairman and Fund Officers
May 2021	Confirmation of appointment of Scheme Member representative	Fund Officers
June 2021	Carry out induction training	Fund Officers
07 July 2021	1 <sup>st</sup> PAB Meeting	New Scheme Member Rep



- 5.2 Once the Board have agreed to proceed with the proposed process, the Compliance Manager for the Fund will commence the necessary recruitment arrangements.

## **6. Proposed Process for the Scheme Member (UNISON) Representative**

- 6.1 The existing four-year term for the Scheme Member representative provided by UNISON expires end of August 2021.
- 6.2 It is proposed that Fund Officers start the discussions with UNISON to establish if the current incumbent would be reappointed for a further term of up to six years or if they intend to nominate another individual for the position on the PAB. If the latter, this early agreement would enable induction training to be delivered to the new Member in time for the 22 September 2021 meeting.
- 6.3 With approval from the Board, Fund Officers will contact the UNISON Regional Contact to seek their preference.

## **7. Link to objectives**

- 7.1 Act with integrity and be accountable to our stakeholders.
- 7.2 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise.

## **8. Risk Implications**

- 8.1 Without full membership of the PAB, the Fund are in breach of the Public Service Pensions Act 2013 and therefore are at risk of not fulfilling their duties as advisers to the PSB.
- 8.2 Links to Risk Register include:
- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage; and

- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables.

## **9. Communication Implications**

- 9.1 The advert for the Scheme Member representative will be advertised via Employer communications, along with news items on the Essex Pension Fund website and the Essex County Council Intranet.
- 9.2 Other than ongoing reporting to the Board, there are no further communication implications.

## **10. Finance and Resource Implications**

- 10.1 The process will be carried out in the main by Fund Officers but there may be a requirement for advice from the Fund's IGAA. This advice will be met within the proposed 2021/22 Budget.

## **11. Background Papers**

- 11.1 Essex County Council Constitution and the Essex Pension Fund Advisory Board Terms of Reference therein.

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 08</b>
<b>Date: 17 March 2021</b>	

## **Schedule of Future Meetings and Events**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

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### **1. Purpose of the Report**

- 1.1 To provide the Board with an update on the schedule of future meetings and events.

### **2. Recommendation**

- 2.1 That the Board note the content of the report.

### 3. Background

- 3.1 The Board were made aware, at their meeting on 18 December 2019, that future meetings and events would be brought to each meeting to ensure, where applicable, the process of approval by the Foreign Travel Committee for attendance at any conferences/seminars is incorporated within the Committee's timetable.

### 4. Upcoming Event(s)

- 4.1 Due to the current restrictions in place as a result of the Covid-19 pandemic, there are no upcoming events to note. However, there is an increase in webinars being hosted by various organisations within the LGPS. As and when any such webinars are announced, the Compliance Team will provide the Board with a communication to invite all Members to register for the event should they wish to do so.

### 5. Schedule of Meetings

- 5.1 The meeting date/time for the Board to note for the remainder of the current municipal year are:

Investment Steering Committee	
Wednesday 24 March 2021	10am – 2pm

- 5.2 Please note that the timing of the above-named meeting may change dependent on the way the meeting is hosted (Committee Room 2 or Virtual).

### 6. 2021/22 Municipal Year

- 6.1 The schedule of meetings for the new municipal year 2021/22 are as follows:

Pension Strategy Board	
Wednesday 7 July 2021	10am – 1pm
Wednesday 22 September 2021	10am – 1pm
Wednesday 15 December 2021	10am – 1pm
Wednesday 23 March 2022	10am – 1pm

<b>Investment Steering Committee</b>	
Wednesday 16 June 2021	10am – 4pm
Wednesday 13 October 2021	10am – 1pm
Wednesday 24 November 2021	10am – 4pm
Wednesday 23 February 2022	10am – 1pm

<b>Pension Advisory Board</b>	
Wednesday 7 July 2021	2pm – 4pm
Wednesday 22 September 2021	2pm – 4pm
Wednesday 15 December 2021	2pm – 4pm
Wednesday 23 March 2022	2pm – 4pm

<b>Training Days</b>	
Day 1	TBC
Day 2	TBC

## **7. Finance and Resources Implications**

- 7.1 If an event costs more than £500 for one member or £1,000 in total, then prior approval for any travel by the Foreign Travel Committee is compulsory.

## **8. Background Papers**

- 8.1 Schedule of Future Meetings and Events, PSB 09, 16 December 2020.

