

Essex Pension Fund Strategy Board	PSB 06
Date: 16 December 2020	

Essex Pension Fund (EPF) Policies

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

Enquiries to Jody Evans on 0333 0138 489

1. Purpose of the Report

1.1 To provide the Board:

- the revised Knowledge and Skills Strategy;
- an update regarding the November Training Day;
- an update in regard to the review of the Governance Policy and Compliance Statement (GP&CS); and
- the Full Risk Register for its annual review.

2. Recommendations

- 2.1 That the Board **approve** the Knowledge and Skills Strategy and Training Plan and **note** the outcome of the 11 November Training Day.
- 2.2 That the Board **note** the progress to date in regard to the review of the GP&CS.
- 2.3 That the Board **review** the Full Risk Register and pass to the Essex Pension Fund Advisory Board for noting.

3. Knowledge and Skills Strategy for Board/Committee Members

Background

- 3.1 The Board were provided with an update on the development of the Knowledge and Skills Strategy for Board/Committee Members at their 23 September 2020 meeting.
- 3.2 Further development has been carried out by Fund Officers to include the Training Plan which has been incorporated within the Strategy document which can be found at Appendix A of this Report.
- 3.3 This Strategy will aid Essex Pension Fund Strategy Board (PSB), Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) Members in performing and developing personally in their individual roles, with the ultimate aim of ensuring the Fund is managed by individuals who have appropriate levels of knowledge and skills.
- 3.4 The revised Knowledge and Skills Strategy incorporates the Chartered Institute of Public Finance and Accountancy (CIPFA), The Pensions Regulator (TPR), Markets in Financial Instruments Directive (MiFID II) requirements and Ministry of Housing, Communities and Local Government (MHCLG) Statutory Governance Guidance.
- 3.5 The Knowledge and Skills Strategy will be continually reviewed in line with future reforms.

Next Steps

- 3.6 To implement the Strategy, individual training plans will be developed for each Board/Committee Member. An initial questionnaire will be issued followed by an informal meeting to discuss personal requirements.

Approach

- 3.7 Training plans will be delivered through a variety of methods including:
 - One-to-One Briefings with Officer/Adviser(s);
 - Members' Briefing Notes;
 - Bitesize training;
 - In-house Training Events / Workshops;
 - External Conferences & Training Seminars; and
 - E-Learning / Webinars.

4. Feedback from the 11 November Training Day

- 4.1 In line with the Knowledge and Skills Strategy the Fund launched a “Back to Basics” training event, in part to address areas / topics that arise from time to time at meetings and to commence areas of training as per the new Strategy. All three Boards/Committee Members were invited to attend on 11 November 2020.
- 4.2 Fund Officers covered:
- facts about the Essex Pension Fund family;
 - Essex Pension Fund and LGPS Governance (provided by AON);
 - the make-up of the Administration Team including a brief history of the LGPS;
 - the digitalisation work undertaken by the System Support Team including a demonstration of Member Online;
 - an overview of the Fund’s Business Plan including:
 - Governance and Board/Committee facts;
 - Funding facts;
 - History of the Funds’ Investments;
 - Administration facts; and
 - the way the Fund communicates with all Stakeholders.
- 4.3 Feedback was received by 82% of those who attended the training session, and of those 100% of the feedback across all areas was positive.
- 4.4 Regarding areas of additional training that were requested on the feedback forms, these will be incorporated into future training events where applicable.

5. Governance Policy and Compliance Statement (GP&CS)

Background

- 5.1 Regulation 55 of the LGPS Regulations 2013 requires each Administering Authority to prepare, publish and maintain a GP&CS 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.

5.2 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 it considers appropriate; and
- publish any revised statement.

5.3 In line with the Fund's Business Plan, an annual review of the GP&CS is required.

Process undertaken for review

5.3 Fund Officers are currently reviewing the Boards/Committee Terms of Reference (TORs) which will be incorporated into the Fund's GP&CS which in turn will be referred to within the Fund's Annual Report and Accounts. Due to the full review of the Boards/Committee TORs carried out during 2019/20, it is not envisaged that any major changes will be required.

5.4 Fund Officers are in the process of developing a revised GP&CS which will be provided to the Board at their March 2021 meeting for approval.

5.5 Once approved, the GP&CS will be published on the Fund's website.

5.6 It is also worth noting that as a direct result of the Good Governance Project, the LGPS Scheme Advisory Board (SAB) have commissioned further work in relation to the Phase 2 recommendations.

5.7 The outcomes will be monitored by Fund Officers and the IGAA.

6. Risk Register

Background

6.1 The Fund's current Risk Strategy was approved on 23 September 2020.

- 6.2 Within the Strategy there is a requirement for the Board to review the Full Risk Register on an annual basis. This can be found at Appendix B of this report.

Process undertaken for review

- 6.3 The Board are invited to review and provide comments to Fund Officers during the meeting. In addition, the Board may like to invite the PAB to note. Fund Officers will then review the Risk Register having regard to comments from the Board and PAB.

7. Link to Essex Pension Fund Objectives

- 7.1 Developing and publishing a Knowledge and Skills Strategy for Board/Committee Members will assist the Board in achieving the following Fund objectives:

- Act with integrity and be accountable to our stakeholders;
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise; and
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented.

- 7.2 Reviewing and updating the GP&CS will assist in 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.

- 7.3 Annual review of the Full Risk Register will assist the Board in achieving the following Fund objectives:

- Act with integrity and be accountable to our stakeholders;
- Understand and monitor risk and compliance;
- Continually measure and monitor success against our objectives.

8. Risk Implications

- 8.1 Failure to develop and publish a Knowledge and Skills Strategy for Board/Committee Members 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
- The implementation of MiFiD II (January 2018) leads to the Fund being categorised by some / all of its service providers as a 'retail client' - the result of which could reduce the range of sub asset classes in which the Fund is able to invest, and may even require disinvestment from the current portfolio.

8.2 Failure to review and update the GP&CS 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.

8.3 Failure to review the Full Risk Register on an annual basis could result in:

- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage;
- New risks are not identified or risk register is not kept up to date; and
- Inadequate, inaccurate or misrepresented management information leads to financial loss or reputational damage.

9. Communication Implications

- 9.1 If approved, the Knowledge and Skills Strategy for Board/Committee Members and the Governance Policy and Compliance Statement will be published on the Fund's website.
- 9.2 The Full Risk Register will also be published on the Funds website.
- 9.3 Other than ongoing reporting to the PSB, there are no communication implications.

10. Finance and Resource Implications

10.1 None.

11. Background Papers

11.1 Essex Pension Fund Policies, PSB 05, 23 September 2020.

11.2 Scheme Advisory Board (SAB) Good Governance Project, PSB 07, 04 March 2020.