

Essex Pension Fund Strategy Board	PSB 08
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Essex Pension Fund Advisory Board (PAB) Governance Effectiveness Review – Outcome

Joint report by the Compliance Manager and Independent Governance & Administration Adviser

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This Report requires a decision

Executive Summary

A summary of the findings of the PAB Governance Effectiveness Review survey undertaken in October 2021 as provided by the Fund's IGAA. The results of the survey are extremely positive with no significant issues identified.

The PAB discussed the results at their 15 December 2021 meeting and have put recommendations forward for the Board to consider.

1. Purpose of the Report

- 1.1 To provide the Board with the key findings and recommendations from the review of the effectiveness of the Fund's governance arrangements which has been undertaken by the Fund's IGAA.

2. Recommendations

- 2.1 That the Board **agree** the PAB, in consultation with Fund Officers, develop a pamphlet in regard to the expectations around the role of PAB Members as described within the PAB Annual Workplan provided at Agenda Item 5.
- 2.2 That the Board note the contents of the report and the attached summary of the PAB Governance Effectiveness Review.

3. Overview

- 3.1 The IGAA was asked to review the effectiveness of the Fund's Governance Arrangements and to recommend any potential areas of improvement. In doing this the IGAA considered the following areas which are the key elements of Aon's Governance Framework:
- Direction – does the Fund have clear Strategies and Policies that meet Legislative requirements and Best Practice;
 - Delivery – does the Fund have a clear plan for implementing its Strategies and appropriate monitoring of whether they are being achieved and is there good Risk Management to ensure effective and efficient delivery;
 - Decisions – does the Fund have an appropriate Governance Structure with the right people, with the right attitude and appropriate knowledge and skills.
- 3.2 The first part of the review was carried out with Members of the PSB and ISC. The overall conclusion from this element of the review was that the Fund's Governance is Excellent, reflecting Best Practice and was shared with the Board at their 07 July 2021 meeting.
- 3.3 The second part was asking PAB members views on 19 questions relating to areas including:
- Meeting Effectiveness;
 - Accessibility, Format and Usefulness of Information;
 - Knowledge, Understanding and Succession Management; and
 - The Board's and Independent Chairman's role;
- 3.4 The findings showed an overwhelmingly positive view of the governance of the Fund.
- 3.5 A summary of the PAB's Effectiveness of the Fund's Governance and next steps is provided at Appendix A.

4. Next Steps identified by IGAA

- 4.1 Within the report provided at Appendix A, the IGAA has highlighted three next steps for the PAB to consider.
- Meeting format – the long-term format of meetings should be considered (whether hybrid or in-person), and we know Fund Officers are already planning this work in 2022/23. If deemed necessary, the Board's Terms of Reference should be updated to reflect the any further amendments to these arrangements.
 - Succession planning – Although succession planning has been highlighted as an area for further consideration it is an extremely difficult area to manage given the different challenges in appointing individuals to employer representative roles (some of which are elected members subject to local authority democratic process) and scheme member representative roles on the PAB.
 - Meeting content – ensure PAB agenda(s) continue to include matters relevant to Members i.e. Scheme Member communications.

5. PAB Discussion on 15 December 2021

- 5.1 PAB Members discussed the findings and next steps, in particular the point raised around succession planning and discussed the possibility of the development of a pamphlet to explain the role of the PAB, setting out the expectations of Members, the time, on average, Members would need to set aside for the reading of packs, attendance at meetings and training requirements. In addition, the pamphlet would illustrate the high-level of support that is provided by Officers to all Members on the Board.
- 5.2 Another point of discussion was the approach to Hybrid Meetings. It was confirmed that Hybrid would always be an approach offered to PAB Members going forward to accommodate and assist those members who have work commitments. However, the PAB could review the frequency of face-to-face meetings once the restrictions have been lifted at County Hall. This is an item to be discussed at the PAB's next meeting.

- 5.3 Following on from this, Fund Officers discussed with the PAB Independent Chairman the possibility of developing a PAB Annual Workplan which would include the work to be developed for the Pamphlet plus other key elements of the Fund's Business Plan that the PAB could be involved in. This included: the review of the Fund's Communication Policy, the Scheme Advisory Board (SAB) Good Governance Project and The Pensions Regulator (TPR) Single Code. This was provided as part of the Three-Year Business Plan at Agenda Item 5 for the Board's approval.

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. Further, appropriate Risk Management is a key element of those Governance Arrangements.

7. Communication Implications

- 7.1 None directly relating to this report.

8. Finance and Resource Implications

- 8.1 The cost of the Governance Effectiveness Review has been met from the existing 2021/22 Budget. The cost of implementation of any recommendations will be met from the 2022/23 Budget.

9. Background Papers

- 9.1 PAB Governance Effectiveness Review, PAB 04, 15 December 2021.
- 9.2 Governance Effectiveness Review, PSB 13, 07 July 2021.