Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB) held as an online video conference on 23 September 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	
Cllr C Souter	

District/Borough Councils in Essex Representatives

Cllr M Dent	Southend-on-Sea Borough Council	
Cllr C Riley	Castle Point Borough Council	left at 12pm

Scheme Member Representative
Sandra Child (UNISON)

Other Employing Bodies Representative
Rachel Hadley Chelmer Housing Partnership

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 (Part II only)
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Marcia Wong	Compliance Officer
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:

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Cllr Martin Bracken	Employer Representative	left 12:34pm
James Durrant	Employer Representative	
Andrew Coburn	Scheme Member Representative (UNISON)	
Stuart Roberts	Scheme Member Representative	
James Sheehy	Scheme Member Representative	

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

Opening Remarks

The Chairman welcomed the Board, Karen McWilliam (IGAA), Graeme Muir (Fund's Actuary) and PAB Members, Cllr Martin Bracken, James Durrant, Andrew Coburn, Stuart Roberts and James Sheehy to the meeting.

The Chairman took the opportunity, it being the first meeting of the Essex Pension Fund Strategy Board (PSB) to be held virtually, to outline to Members the protocol on how the meeting would be conducted.

Apologies for Absence

It was noted that Cllr Maddocks was unable to attend the meeting. In addition, PAB Members Nicola Mark and Debs Hurst also sent their apologies.

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 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 Goggin declared that his wife, sister and brother-in-law were in receipt of an Essex LGPS pension;

Cllr Hedley declared that he was in receipt of an Aviva Group Pension and is the Chairman of the Audit, Governance and Standards Committee. A further declaration was made in regard to Agenda Item 14 of being an elected Basildon District Councillor;

Cllr Riley and Sandra Child declared they were in receipt of an Essex LGPS Pension; and

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

The Chairman informed the Board of the changes to the Essex County Council Conservative Group Substitute arrangements notifying the Board that Cllr Mark Durham and Cllr Bob Massey were appointed during May 2020. Subsequently, Cllr Bob Massey has stepped down from this position.

The Chairman welcomed Rachel Hadley to her first meeting and the new PAB Member, Cllr Martin Bracken of Chelmsford City Council, who was appointed during August 2020 to replace the Employer Representative post made vacant by the sad passing of Cllr Terry Cutmore.

Resolved:
The Board noted the report and update.

2. Confirmation of the Annual Arrangements for the Appointment of Chairman and Vice Chairman of the Essex Pension Fund and Terms of Reference

The Board received a report from the Compliance Manager in regard to the annual arrangements of the appointment of the Chairman and Vice Chairman of the Essex Pension Fund.

It was noted that each year at the Annual Meeting of Essex County Council the Chairman appointments are confirmed for the forthcoming municipal year. These appointments are then reaffirmed at the respective meetings.

The Chairman informed the Board that due to the circumstances surrounding Covid-19 the Annual Meeting of Essex County Council scheduled to take place in May had been deferred, as such the existing Chairman and Vice Chairman arrangements would remain in place until such time that the Annual Meeting could be held.

Resolved:
The Board noted:

- the continuation of the Chairman and Vice Chairman current arrangements; and
- the PSB Terms of Reference (ToR) as set out in Appendix A of the report.

3. Minutes of PSB meeting 04 March 2020

The minutes of the meeting of the PSB held on 04 March 2020 were approved as a correct record and signed by the Chairman.

Matters Arising:

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It was noted that all matters arising would be dealt with through this Agenda Pack.

4. Arrangements for PSB Representatives

The Compliance Manager informed the Board that the Other Employing Bodies Representative recruitment had now concluded with the outcome being Rachel Hadley from Chelmer Housing Partnership being appointed for a term of six years.

It was noted that Rachel had received her induction training from Officers and was present for today's meeting.

Resolved:
The Board noted the update and outcome of the recruitment process.

5. Essex Pension Fund (EPF) Policies

The Board received a report from the Compliance Manager regarding two new Fund policies which were developed in line with the Good Governance Project and formalised the activities already undertaken by the Fund. These were:

- Policy for Recording and Reporting Breaches of the Law (Appendix A); and
- Risk Strategy (Appendix B).

It was explained that the third policy, the Knowledge and Skills Strategy provided was in draft at present but would be brought to a future meeting for approval.

Resolved:
The Board **approved** the:
- Policy for Recording and Reporting Breaches of the Law; and
- Risk Strategy.

Resolved:
The Board noted the:
- progress of the Knowledge and Skills Strategy for Board/Committee Members; and
- content of the report.

6. Update on Pension Fund Activity

The Board received a joint update from the Interim Director for the Essex Pension Fund and the Compliance Manager on the Business Plan, Scorecard and Risk Register.

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Q4 2019/20 Business Activity

The final position was noted on the 2019/20 Business Plan and Scorecard. It was explained that ten out of twelve Business Plan actions had been completed with two carried forward into 2020/21.

It was highlighted that the outcome of the 2019 Employer and Member Surveys was now reflected within the scorecard. Participation uptake on the Employer Survey in particular was still low, as such Officers felt that there would be merit in the Board requesting assistance from the PAB in reviewing how the Fund undertakes future Surveys. The Chairman welcomed the review and it was subsequently agreed that Rachel Hadley be part of the Review Panel.

The Vice Chairman was keen to understand the progress made in regard to the Fund's digital transformation regarding Member online. Officers took an action to come back to a future meeting with some trend analysis.

2020/21 Business Activity

The Board received an update from the Interim Director for Essex Pension Fund on the progress against the new style 2020/21 Business Plan, the development of the new Scorecard along with an update on Risk Management.

Of the forty two priorities highlighted in the Business Plan, the Board noted that twenty five were in progress, five were completed, ten were not yet due to start and two were not applicable for this current year. It was explained that Officers were forecasting a slight underspend against 2020/21 Budget.

Progress in regard to developing the new scorecard measures was provided in addition to the proposed new format of the report. It was explained that the proposed new Governance, Funding and Administration measures had been incorporated into the new scorecard format. The Board noted that the Investment measures would be included following consideration by the Investment Steering Committee (ISC) at their 21 October 2020 meeting. Similarly, the development of the Communications section would follow the review of the Fund's Annual Surveys.

A new style Risk Management Update report was provided detailing the current risk scores against previous scores reported. Members were reminded that risks are continually monitored and reassessed as and when required. It was highlighted that one of the two red risks reported at the 4 March 2020 meeting had now been downgraded. The remaining red risk was in regard to the McCloud judgement which would be discussed further at Agenda Item 15.

Resolved:
The Board **agreed**:

- the Governance, Funding and Administration Scorecard Measures at Appendix D of the report;

- the review of the Fund's Scheme Member and Employer Annual Surveys be delegated to the PAB and the outcome to be fed into the Communications section of the new scorecard.

The Board noted:

- the conclusion against the 2019/20 Business Plan and the actions that have been carried forward to 2020/21;
- the Scorecard Measures as at 31 March 2020 including the outcome of the Scheme Member and Employer Annual Surveys;
- the progress against the 2020/21 Business Plan and Budget and the new reporting format;
- the development to date of the new 2020/21 Scorecard and the new reporting format;
- that the Investment measures would be considered by the ISC at their 21 October 2020 meeting for approval; and
- the current risks within the Risk Register with a residual score of eight or above along with the new reporting format.

7. Internal Audit Report 2019/20

The Investment Manager provided the Board with the outcome of the two internal audit reviews. It was noted that both reviews received 'Good Assurance', the highest level of assurance that can be given.

In addition, for a second consecutive year, the Fund received no recommendations.

The Board congratulated the Fund on their excellent work.

A query was raised in regard to the level of the 2021/22 internal audit charge. An action was taken that Fund Officers in consultation with the Chairman investigate and report back to a future meeting.

Resolved:
The Board noted:

- the outcomes of the 2019/20 Internal Audit reports;
- the outcomes of the 2019/20 National Fraud Initiative; and
- the planned audits of the Pension Fund for 2020/21.

8. External Audit 2019/20

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

It was explained that the Audit Plan was reported to an informal meeting of the Essex County Council's Audit, Governance and Standards Committee on 23

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March 2020 for noting and this was the first opportunity to bring the report to the Board.

Members were informed 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).

It was confirmed that the Fund presented draft Pension Fund accounts to the external auditors, BDO, on 30 June 2020 and the audit commenced on 6 July 2020. It was explained that the Pension Fund audit was at an advanced stage of completion and that BDO have indicated that they would be in a position to complete their audit and issue both ECC and the Pension Fund opinions by the revised deadline of 30 November 2020. The Completion Report would be provided to Members once the report becomes available.

Members asked if External Audit had taken into account the ongoing LGPS reform cases and the likely impact on the Fund. The Employer Manager explained that this had been factored in within the Actuarial Valuation and that BDO were satisfied with the information the Fund had provided.

Resolved:
The Board noted the content of the report.

9. Essex Pension Fund Strategy Board (PSB) – Annual Report

The Board received the PSB Annual Report for 2019/20. It was noted that that since the last meeting the Fund had been successful in winning the Pension Age Award for the Best Risk Management Exercise.

Resolved:
The Board noted the report.

10. Essex Pension Fund Advisory Board (PAB) Quarterly and Annual Reports

The Board received a report from the Compliance Manager. It was explained that due to the sad news received of the passing of Cllr Terry Cutmore the vacant Employer Representative position has since been filled by Cllr Martin Bracken from Chelmsford City Council.

The Compliance Manager provided the Board with an overview of the PAB Annual Report which details their activities during 2019/20. It was explained that the Annual Report would now be shared with the Scheme Advisory Board (SAB) and published within the Fund's Annual Report and Accounts.

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Cllr Barker thanked Andrew Coburn for stepping up as Chairman whilst the Chairman of the PAB was unwell.

Resolved:
The Board noted:

- the content of the 2019/20 Annual Report and acknowledged it would be published within the Annual Report & Accounts; and
- the appointment of Cllr Martin Bracken as the new Employer Representative on the PAB replacing the vacancy left by the passing of the late Cllr Terry Cutmore.

11. Investment Steering Committee (ISC) Quarterly Update

The Board received a report from the Investment Manager which provided details on the ISC activity since the previous Board meeting.

It was confirmed that the ISC had met on one occasion on 21 July 2020, noting that their 19 March 2020 meeting was cancelled due to the Coronavirus pandemic. The Board were advised that the Committee received a presentation and training from Hamilton Lane, the Fund's Private Equity Manager, regarding the Private Equity Asset Class and that a decision was made to allocate a further £50m with an additional £10m should suitable opportunities arise.

The other main areas of business discussed were:

- the approval of the Treasury Management Strategy 2020/21;
- the review of Fund investment portfolio noting that although the Fund's value fell in March, it has since recovered back to pre-Covid19 levels;
- the draft Investment Strategy Statement (ISS) was approved for stakeholder consultation which had subsequently concluded on 16 September 2020;
- a report summarising the outcome of the CEM Benchmarking exercise reviewing the overall fees paid by the Fund in 2018/19 compared to its peers; and
- the allocation of additional funds to the Private Equity Mandate.

Resolved:
The Board noted the report and update.

12. Schedule of Future meetings

The Board received a report from the Compliance Manager detailing the remaining planned Board meetings for this municipal year. It was noted that the in-house training session had been rescheduled to 11 November 2020.

Events/conferences that were on the horizon were also brought to the attention of Members.

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The Board noted that PAB meetings would now follow the PSB meeting at 2:00pm.

Resolved:
The Board noted:

- the schedule of meetings and events for 2020/21; and
- the new date and time of the November training session.

13. Urgent Part I Business

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 11:00am following a short adjournment.

The meeting was adjourned at 10:46am.

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The Board reconvened at 11:00am.

Opening Remarks

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

14. Funding Update

The Board received a report from the Employer Manager on a Funding update and the outcomes of Out of Committee decisions made since the last meeting.

It was explained that the Out of Committee decision making process had been utilised on two occasions since the last meeting:

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- in June, the approval of the inclusion of an Exit Credit Policy within the Funding Strategy Statement (FSS); and
- in August, the approval of recommendations in regard to the termination of one of the Fund's Employers.

It was noted that the Fund had now received payment from four out of the six Employers who had requested a six month deferment of their deficit payments. It was confirmed that the remaining two payments were due by the end of September 2020.

The Board also considered the merit of developing an Ill Health Policy in consultation with the Fund's Actuary.

Resolved:
The Board noted:

- the FSS was updated to reflect the Exit Credits Policy;
- the cessation of one of the Fund's Employers was finalised;
- the development of an Ill Health Policy; and
- the general Funding update.

15. Local Government Pension Scheme (LGPS) Regulatory Reform

The Interim Director for Essex Pension Fund highlighted that there are currently four LGPS consultations either live or in progress. These were:

- McCloud – deadline 8 October 2020;
- £95K Exit Payment Cap – deadline 9 November 2020;
- Goodwin – expected soon; and
- Cost Cap – pending.

It was agreed that due to the timing, the Fund's consultation responses to McCloud and £95k Exit Payment Cap be delegated to the Chairman and Vice Chairman for sign off.

Cllr Hedley and Cllr Dent expressed an interest in being party to this process.

The Board received a presentation from Karen McWilliam (IGAA) and Graeme Muir (Funds Actuary) covering:

- McCloud;
- Cost Cap;
- Goodwin; and
- £95k Cap.

The IGAA informed Members that it was unusual to have four LGPS regulatory changes and the associated consultations in progress at the same time. A presentation was then provided on the background and current status of each. The Advisers outlined to the Board the potential impact on the Fund in terms of Funding, administration and the ability to continue to deliver a high quality business as usual service.

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Resolved:
The Board noted:

- the information contained within the report and the accompanying presentation; and
- the resource implications.

16. Pooling Update

The Board received a presentation and update from the Interim Director for Essex Pension Fund on the 17 July 2020 ACCESS Joint Committee meeting.

Resolved:
The Board noted the update.

17. Urgent Exempt Business

None.

18. Closing Remarks

There being no further business the meeting closed at 12:49pm.

Chairman
16 December 2020

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