

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held at 10:00am as an online video conference on 17 March 2021

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 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 Part I only

Scheme Member Representative

Sandra Child (UNISON)

Other Employing Bodies Representative

Rachel Hadley	Chelmer Housing Partnership
---------------	-----------------------------

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

The following Officers and Advisers were also present in support of the meeting:

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 left after Agenda Item 11
-----------------	---

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

Nicola Mark	Independent Chairman	
Cllr S Walsh	Employer Representative	Part I only
Cllr M Bracken	Employer Representative	
James Durrant	Employer Representative	
Andrew Coburn	Scheme Member Representative (UNISON)	
Debs Hurst	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 Members of the Board, Karen McWilliam (IGAA), Cllr M Durham and PAB Members: Nicola Mark; Cllr S Walsh; Cllr M Bracken; James Durrant; Andrew Coburn and Debs Hurst to the meeting.

It was noted that this would be Cllr M Maddocks last PSB and therefore the Chairman took the opportunity to thank him for his contribution and commitment to the work of the Board since his appointment in December 2018.

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

Apologies for Absence

It was noted that Cllr L Scordis was absent from the meeting and that both Cllr C Riley and PAB Member Cllr S Walsh were unable to attend Part II of the meeting. PAB Member Stuart Roberts was also 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 16 December 2020

The Minutes of the meeting of the PSB held on 16 December 2020 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising and it was noted that:

- the outcome of the PAB's Review of the Fund's Annual Surveys was provided at Agenda Item 03b;
- the revised Communications Scorecard measures had been developed and were provided at Agenda Item 03c for the Board's approval;
- the Officer meeting arranged with BDO, the external auditors to discuss the 2019/20 External Audit was unfortunately cancelled. The Chairman agreed with Officers that due to timing this would now be discussed as part of the 2020/21 audit planning process;
- the Fund's full Risk Register was taken to the PAB meeting held on 16 December 2020 for noting;
- the Governance Policy and Compliance Statement had been updated and was provided at Agenda Item 04b for the Board's approval;
- the Knowledge and Skills Strategy and Risk Register had been published on the Fund's website;
- EPF Staff are included within Essex County Council's Wellbeing Agenda. In addition, the Fund is separately monitoring wellbeing and associated risks. It was explained that further mitigations had been added to risk G4 within the Fund's Risk Register; and
- the Funding Strategy Statement had been updated to include the Fund's Employer Ill Health and Death in Service Policy and had been published on the Fund's website.

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

3. Update on Pension Fund Activity

3a. Pension Fund Activity: Quarterly Update Report

The Compliance Manager provided the Board with an update on progress in relation to the 2020/21 Business Plan, Budget, Scorecard and Risk Register.

Of the forty-two priorities highlighted in the Business Plan, the Board noted that thirty-five priorities were reported as completed to date and that the four that were currently in progress would be completed by 31 March 2021. Members expressed their thanks to Fund Officers for their hard work and perseverance through such unprecedented and difficult circumstances.

It was noted that the Fund was projecting a slight underspend for the year against the 2020/21 Budget.

The Fund's achievement against scorecard measures was discussed by exception noting two new red measures in regard to attendance at PAB meetings and a PAB vacancy.

A Risk Management Update report was provided detailing the current risk scores against those reported at the previous meeting. It was confirmed that no new risks have been identified. One risk score had increased since the last meeting but remained at yellow, this was in regard to the uncertainty around the pending elections and recent PAB Vacancy.

Resolved:

The Board noted the update on Pension Fund Activity.

3b. Essex Pension Fund Advisory Board Review of the Fund's Annual Surveys

The Board received an update from the Retirement Manager on the outcome of the PAB's Review of the Fund's Annual Surveys and the process undertaken. It was explained that the findings of the Task and Finish Group (T&FG) were reported to the PAB at their 16 December 2020 meeting whereby it was agreed that the recommendations of the Review be presented to next PSB meeting.

In conjunction with the Review the Retirement Manager explained that Officers following on from the discussions had by the T&FG were currently developing a series of illustrative Roadmaps to send to Scheme Members which sets out the process, the role of the Member, their Employer and the Fund and providing an indication of the steps and timescales associated with a particular process i.e. retirement in the hope that this will aid Scheme Members and set expectations. The Board welcomed this development and expressed thanks to all concerned.

Resolved:

The Board **agreed**:

- to move away from the 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.

The Board noted the content of the report.

3c. Communications Scorecard Measures

The Interim Director for Essex Pension Fund reminded the Board that at the start of 2018/19 the Board agreed that Officers, in consultation with Fund Advisers, undertake a review of the Fund's Strategic Objectives, Risks and Scorecard.

It was confirmed that following the outcome of the review of the Fund's Surveys, the Communications Scorecard Measures, the last outstanding part of this wider Review have now been developed in consultation with the Fund's IGAA and were presented at Appendix A to the Report.

Resolved:

The Board **agreed** the Communications Scorecard Measures and noted the content of the report.

4. Essex Pension Fund Policies and Publications**4a. Essex Pension Fund Three Year Business Plan and Budget**

The Board received a report from the Interim Director for Essex Pension Fund in relation to the Fund's Three-Year Business Plan which detailed the Fund's priorities from 2021/22 to 2023/24.

Members were made aware of the new items within the Business Plan that were programmed to commence during 2021/22. This included:

- the IGAA Service Review;
- the Review of the Additional Voluntary Contributions (AVC) Provider;
- the Administration Strategy Review (pending Regulatory changes);
- the Development of a Stakeholder Strategy and Investment Managers' Engagement Strategy;
- implementation of Employer Training Webinars;
- becoming a signatory to the Financial Reporting Council (FRC) UK 2020 Stewardship Code;

- the Annual Review of all investment managers' compliance with the Fund's Responsible Investment (RI) and Stewardship Policy;
- developing a Climate Change Policy Objectives and Metrics Framework (Taskforce for Climate related Financial Disclosures (TCFD));
- Exploration of a Responsible Investment Adviser; and
- McCloud Preparation / Implementation.

The Board were also notified of the reasons behind the proposed Budget increase from the previous year. It was explained that £0.49m of this was still subject to S151 Officer approval and was in respect of additional resources required by the Fund as a consequence of forthcoming LGPS legislative changes in order that it can continue to carry out and meet its statutory responsibilities.

Resolved:

The Board **approved:**

- the Essex Pension Fund Three Year Business Plan for 2021/22 to 2023/24; and
- Budget for 2021/22 of £5.65m as detailed in the Business Plan.

4b. Governance Policy and Compliance Statement

The Compliance Manager provided the Board with an update on the changes to the Governance Policy and Compliance Statement since its last iteration.

It was explained that the Policy had been updated to incorporate the changes made to the Essex County Council (ECC) Constitution in respect of the ACCESS Joint Committee's (AJC) roles and responsibilities. In addition, the Policy had been updated to reflect other roles and responsibilities relating to the Fund.

In conjunction with this Review, the PSB, Investment Steering Committee (ISC) and PAB Terms of Reference had also been reviewed with minor amendments made.

Following feedback from the Chairman prior to the meeting it was suggested that Appointment Sub Committees be reflected within the Governance Structure on page 114 and that on page 118 explicit reference be made that the Vice Chairman of the ISC act as substitute for the Chairman at AJC meetings.

The Board also noted that the Fund was fully compliant with the current Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance.

Resolved:

The Board **approved** the revised Governance Policy and Compliance Statement and noted the content of the report.

4c. Essex Pension Fund (EPF) Business Continuity Policy and Plan

Members were reminded of their request for the PAB to review the Fund's Business Continuity arrangements at their 11 September 2019 meeting.

The Compliance Manager updated the Board on the outcome of the PAB's Review of the Business Continuity Policy and Business Continuity Plan (BCP) that was agreed by the PAB at their 16 December 2020 meeting.

It was explained that both the Policy and BCP were included at Appendices A and B respectively to the Report. Members noted that the BCP included a revised Business Impact Assessment, Disaster Recovery Plan and a Testing Schedule and was linked to the ECC Business Continuity 2 System.

The Board were reminded that the BCP was a live working document and as such confidential.

Resolved:

The Board **approved** the new EPF Business Continuity Policy and revised BCP.

5. Local Government Pension Scheme (LGPS) and other Pension Reform

The Board received an update from the IGAA on the latest developments of LGPS and other Pension Reforms due imminently.

The Board were also informed that the Consultation on The Pensions Regulator (TPR) Single Modular Code had just been released that morning. It was acknowledged that due to the consultation concluding before the Board's next meeting the Out of Committee Decision Making Process would be adopted.

It was agreed that Fund Officers would provide Members with the link to the TPR Single Modular Code Consultation.

Resolved:

The Board noted the information contained within the Report including the ongoing impact on the delivery of services relating to the Fund.

6. Governance Review and Effectiveness Survey

The IGAA provided the Board with a high-level Summary of the findings from the recent Governance Review and Effectiveness Survey undertaken by PSB and ISC Members.

It was noted that there was 100% response rate and overall, the findings were extremely positive demonstrating that Members had a strong understanding of their roles and responsibilities on the Board and Committee.

Resolved:

The Board noted the high-level Summary in the Report and the next steps outlined in Section 5.

7. Quarterly Reports

7a. Investment Steering Committee (ISC) Quarterly Report

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 the 20 January 2021.

The main focus of the meeting was in regard to the Asset Liability Review undertaken as part of the wider review of the Fund's Investment Strategy. It was explained that the Review is undertaken following the outcome of the Triennial Valuation to ensure that the Investment Strategy and Funding Strategy were still aligned and that the Investment Strategy will continue to be able to achieve the performance return in excess of the Actuary's performance return assumption. It was noted that the outcome of the Review demonstrated that the Investment Strategy remained appropriate and that further de-risking could be considered in the future.

The other main areas of business discussed were:

- commencement of a review to ensure the Fund's passively managed assets were invested in line with the Fund's RI Policy;
- the agreement to further trim Baillie Gifford's overweight position by a further £110m;
- the agreement for the Fund to participate in the collective procurement of Global Custodian Services;
- the agreement to the proposed approach for the re-tender of the Institutional Investment Consultant;
- the update in regard to the procurement of an additional direct lending manager;
- the outcome and reappointment of the Independent Investment Adviser; and
- the outcome of the review of the Institutional Investment Consultant against their strategic objectives.

Resolved:

The Board **agreed** that the report be noted.

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

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 16 December 2020.

The main areas of business discussed by the PAB were:

- the review of the PSB meeting held on 16 December 2020, including the scorecard measures relating to the PAB, the upcoming return of the Independent Chairman and the approval of the Employer Ill Health and Death in Service Policy by the PSB;
- the PAB's Review of the Fund's Business Continuity Arrangements;
- the PAB's Review of the Fund's Annual Surveys; and
- the Fund's compliance with the TPRs Code of Practice 14 which was provided at Appendix A of the report for the Board to note.

Resolved:

The Board noted the report.

7c. Essex Pension Fund Advisory Board (PAB) Recruitment

The Interim Director Essex for Pension Fund informed Members that a resignation had been received from a PAB Scheme Member representative and that the current arrangement in regard to the UNISON Scheme Member position would cease at the end of August 2021.

The proposed recruitment process and timetable for the Scheme Member representative was outlined to the Board for approval.

It was also proposed that Fund Officers liaise with UNISON to establish whether they would consider reappointing the current incumbent in the first instance or nominate a new UNISON Member representative for the PAB. Members praised the current incumbent and requested that Fund Officers write to UNISON expressing their gratitude for his service and their preference to keep continuity if possible.

Resolved:

The Board **agreed:**

- for Fund Officers to start 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 wish to re-appoint the current incumbent or nominate a new Member, for a term up to six years.

The Board noted:

- 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.

8. Schedule of Future Meetings and Events

The Board received a report from the Compliance Manager detailing the planned Board meetings for the next municipal year. The Board were advised that these were subject to change and that the training days were to be confirmed in due course.

Resolved:

The Board noted the meetings for 2021/22 and the content of the report.

9. 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 11:10am following a short adjournment.

The meeting was adjourned at 10:53am.

.....
The Board reconvened at 11:10am.

Opening Remarks

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

10. Pooling Update

The Interim Director for Essex Pension Fund provided the Board with an update from the 12 November 2020 and 13 January 2021 AJC meetings.

12 November 2020 Meeting

The main points covered were:

- the proposal to appoint Engine MHP to provide external communications support;
- an update on sub fund launch progress;
- an update for pooling alternative assets;
- the conclusion of the KPI negotiations;
- the procurement for external professional advice for the Environment, Social and Governance (ESG)/RI Pool Guidance for ACCESS;
- an update on Business Plan deliverables and Key Risks; and
- the BAU Evaluation Workshop provided by Hymans Robertson.

13 January 2021 Meeting

The main points covered were:

- an update on the 2020/21 and the proposed 2021/22 Budget and Business Plan;
- the launch of seven new sub funds during November and December 2020 taking the total to 22;
- a bfinance presentation outlining recommendations to the pooling of illiquid assets;
- presentation by Link, ACCESS's rented Operator;
- the outcome of ACCESS ESG/RI consultation procurement;
- the BAU evaluation update; and
- a Communication workshop.

The Board were informed that the AJC meeting held on the 08 March 2021 would be reported to the ISC at their 24 March 2021 meeting.

Resolved:

The Board noted the presentation and update.

11. Employer Update – Retail Price Index (RPI) Reform and Flexibilities

The Employer Manager notified the Board of the outcome of a recent Consultation in regard to RPI Reform. It was noted that although the Chancellor announced that he would not give consent to the Reform before 2030 to minimise the impact of holders of index-linked gilts, there was a risk this Reform could impact the financial assumptions used by the Actuary for the Fund.

It was explained that whilst LGPS benefits are linked to Consumer Price Index (CPI), the Actuary derives the future CPI assumption from market implied RPI inflation. Following a review by the Actuary it was concluded that the impact of

the Reform would be negligible, with an estimated overall impact of around 1% on liabilities. It was also highlighted that there was a negligible impact on the Fund's Investment Strategy.

The Actuary however, recommended a stepped approach ahead of the next Actuarial Valuation with an update to the derivation of the actuarial assumptions be implemented with effect from 31 March 2021.

Members were also informed that the Statutory Guidance on Employer Flexibilities was recently published on 02 March 2021. Fund Officers were currently reviewing this guidance and would over the current weeks develop Policies and would look to adopt the Out of Committee Decision Making process.

Resolved:

The Board **approved** the derivation of actuarial assumptions with effect from 31 March 2021 and that these be updated within the Funding Strategy Statement.

The Board noted the verbal update in relation to Employer Flexibilities.

Karen McWilliam (IGAA) left the meeting at 11:23am in order for the next agenda item to be discussed.

12. Fund Actuary – Contractual Arrangements

The Board received a report from the Employer Manager following the three yearly Service Review carried out by Fund Officers on the performance of the Funds Actuary.

It was recommended that Barnett Waddington continue as the Fund Actuary for a further three years and that a further Service Review be carried out in 2024 with the outcome brought back to a future meeting.

Resolved:

The Board **agreed:**

- Barnett Waddingham continue as Fund Actuary; and
- a further Service Review be undertaken by Officers in 2024 with the outcome reported back to a future Board meeting.

The Board noted the content of the report.

13. Urgent Exempt Business

The Board were reminded of the Statutory requirement for Members to complete their Related Third Party Transaction Returns, which would be issued by the end of March 2021.

Closing Remarks

Cllr M Maddocks took the opportunity to thank Officers, the Chairman and Vice Chairman for their support whilst being a Member of the Board.

The Interim Director for Essex Pension Fund thanked Members for their continued support during such challenging times and wished them all the best for the future.

The Chairman thanked fellow Members for their support on the Board and Officers for all their hard work, commitment, and efficacy to support all Members.

There being no further business, the meeting closed at 11:30am.

Chairman
07 July 2021