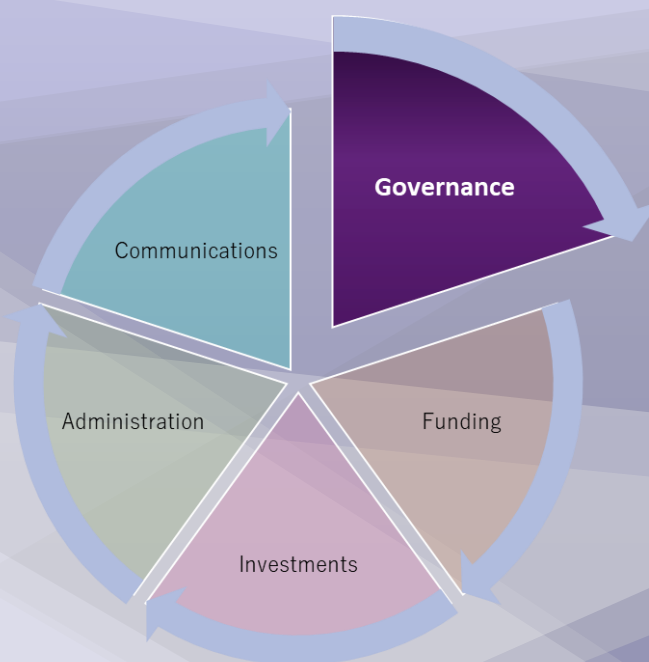


# Essex Pension Fund

## Annual Report 2021/22

July 2022





# Essex Pension Fund

## Annual Report 2021/22

### 1. Introduction

This is the thirteenth annual Report of the Essex Pension Fund Boards, covering the period from 01 April 2021 until 31 March 2022.

### 2. Roles and Functions

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 Terms of Reference (TOR) for the PSB, ISC and Essex Pension Fund Advisory Board (PAB) are reviewed periodically as part of the Governance Policy and Compliance Statement and were last reviewed by the PSB at their meeting in July 2021. The TORs can be found within the [ECC Constitution](#).

#### Essex Pension Fund Strategy Board

The PSB was established by Essex County Council in May 2008 to ensure that the Pension Scheme complied with the best practice principles for governance as required by the amended Local Government Pension Scheme (LGPS) Regulations 1997.

The PSB met four times during the period covered by this report: 07 July 2021; 22 September 2021; 15 December 2021; and 18 March 2022.

#### Membership

During the period covered by this report the PSB had eleven Members. They represented ECC, the other local authorities in Essex (including Unitary Councils), Scheme Members and Other Employing Bodies (i.e. those which are not already specifically represented on the PSB).

The membership of the PSB as at 31 March 2022 was as follows:

##### Essex County Council (7)

Councillor Susan Barker	Chairman
Councillor Mark Platt	Vice Chairman
Councillor Alan Goggin	
Councillor Anthony Hedley	
Councillor Michael Hoy	
Councillor David King	
Councillor Clive Souter	





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### District/City/Borough Councils in Essex (1)

Councillor Colin Riley

Castle Point Borough Council

### Unitary Councils in Essex (1)

Councillor Matt Dent

Southend-on-Sea Borough Council (*now City Council*)

### Scheme Members (nominated by UNISON) (1)

Mrs Sandra Child

### Other Employing Bodies (1)

Mrs Rachel Hadley

Chelmer Housing Partnership

#### Attendance

Attendance at PSB meetings during 2021/22 was **86%** against a target of **80%**.

### Investment Steering Committee (ISC)

The ISC is a sub-Committee of the PSB and its Membership is drawn from the PSB made up of 7 ECC voting Members, 1 Employer representative (non-voting member) and 1 Scheme Member representative (non-voting member).

The ISC reviews the Essex Pension Fund's ("the Fund") management of investments including, but not limited to, the approval of the Investment Strategy Statement.

#### Attendance

Attendance at ISC meetings during 2021/22 was **89%** against a target of **80%**.

### Essex Pension Fund Advisory Board (PAB)

The Essex Pension Fund Advisory Board (PAB) has been 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 LGPS Regulations 2013.

The remit of the PAB includes assisting the Administering Authority as Scheme Manager:

- to secure compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS; and
- to secure compliance with requirements imposed in relation to the LGPS by The Pensions Regulator (TPR).



# Essex Pension Fund

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### Membership

During the period covered by this report the PAB had 9 Members. They represented Employer and Scheme Member representatives and an Independent Chairman.

The membership of the PAB as at 31 March 2022 was as follows:

#### Independent Chairman (1)

Nicola Mark	Independent Chairman
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#### Scheme Member Representatives (4)

Andrew Coburn	Pensioner, Ex County Council, UNISON (Vice Chairman)
Debs Hurst	Active Member, Chelmsford College
Stuart Roberts	Active Member, Shenfield High Academy

Vacant Position (up to 19 October 2021)

Christopher Downes (from 19 October 2021)	Essex County Council
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#### Employer Representatives (4)

James Durrant	Essex Police, Fire and Crime Commissioner Fire and Rescue Authority
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Councillor S Walsh (Up to 06 May 2021)

Councillor L Barber (from 25 May 2021)	Essex County Council
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Councillor S Hebb (Up to 09 June 2021)

Councillor J Duffin (from 09 June 2021)	Thurrock Unitary Council
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Councillor Martin Bracken

Chelmsford City Council
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### Attendance

Attendance at PAB meetings during 2021/22 was **79%** against a target of **80%**.

### 3. Dimensions of the Fund

The value of the Fund as stated with the Fund's unaudited Draft Annual Report and Accounts, as at 31 March 2022, was **£9.6bn** which has reached an all time high when compared to the value reported last year at 31 March 2021 as **£8.7bn**. This shows an increase of **£900m**.

The total value of pensions paid during 2021/22 was **£225m** together with other benefits totalling £41m.

The Fund's 12 month investment performance was in line with its benchmark, with over the three



# Essex Pension Fund

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years outperforming the benchmark by **1.5%**.

The total number of beneficiaries are as follows:

	2021	2022
<b>Contributors</b>	54,568	56,505
<b>Deferred Members</b>	68,914	69,777
<b>Pensioners</b>	46,210	48,070
<b>Total</b>	<b>169,692</b>	<b>174,351</b>

The PSB exercises on behalf of the Council the management of the Pension Fund whose membership comes from **743** separate Employing Bodies, including:

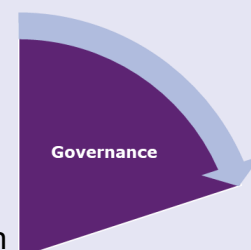
- Essex County Council;
- Scheduled Bodies, which are Local Authorities/Academies and similar bodies who are automatically entitled to be members of the Fund; and
- Admitted Bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted Bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

#### 4. Work of the PSB and the ISC

The following key issues were considered by the PSB/ISC between 01 April 2021 and 31 March 2022:

##### Governance

As the pandemic continued, restrictions were still in place for most of the year. The Fund had to adapt once again as the legislation to allow online meetings ended at the start of 2021/22. Face to face meetings were once again held but to ensure social distancing was maintained, a hybrid approach was implemented to enable PAB Members to fulfil their oversight role by attending the PSB and ISC meetings online via Zoom as Observers. In addition, their own meetings continued online throughout the year.



Changes in Membership of the PSB and ISC were imposed as a result of the 2021 County Elections. New Members were provided with Induction Training, supported by a Training Needs Analysis which was complimented by an Individual Training Plan. With the PSB and ISC focussing on their training needs, the PSB endorsed the utilisation of the LGPS Online Learning Academy (LOLA) to assist with the completion of their Two-Year Training Plan.

Fund Officers developed two new Policies during the year: Cyber Policy which is fundamental to



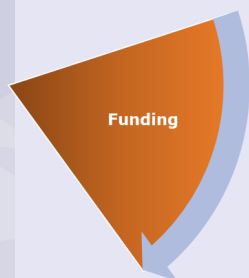
# Essex Pension Fund

## Annual Report 2021/22

the management of the Fund's risk management process of cyber related incidents; and the Stakeholder Engagement Strategy which details how the Fund engages with all Stakeholders. Both of these Policies were approved by the PSB at their March 2022 meeting.

In addition, the Fund's Independent Governance & Administration Adviser (IGAA) carried out a Governance Effectiveness Review of the Boards and Committee with no actions for improvement identified.

### Funding



At the start of the year the PSB approved the Employer Flexibilities Policies within the Funding Strategy Statement (FSS), which were developed to assist Employers that may wish to exit the Scheme but find it unaffordable. These policies enable a manageable exit by spreading amounts due. Since its approval, one Employer has enacted the Policy.



In August the Government Actuary's Department (GAD) issued their Section 13 of the Public Services Act 2013 Report (S13) on the 2019 Actuarial Valuation it noted that no issues were identified. The Fund achieved 'green flags' on all measures set which were disclosed within the GAD's Summary Report.

In addition, the results of the 2021 Interim Actuarial Valuation were received. The Fund had bounced back from its prior year pandemic impact which has been demonstrated in the table below.

Valuation Date	Assets £'000	Liabilities £'000	Surplus/ Deficit £'000	Funding Level %
31 March 19	6,711,392	6,971,143	-205,751	97%
31 March 20	6,900,714	7,173,612	-272,898	96.2%
31 March 21	8,413,097	8,516,876	-103,779	99%

The Fund have also developed their own Employer Risk Analysis with **743** active Employers in the Fund and the recent pressures on businesses, more frequent monitoring is a prudent approach to identify and address any financial issues early and demonstrates good governance going forward.

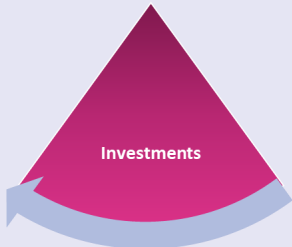


# Essex Pension Fund

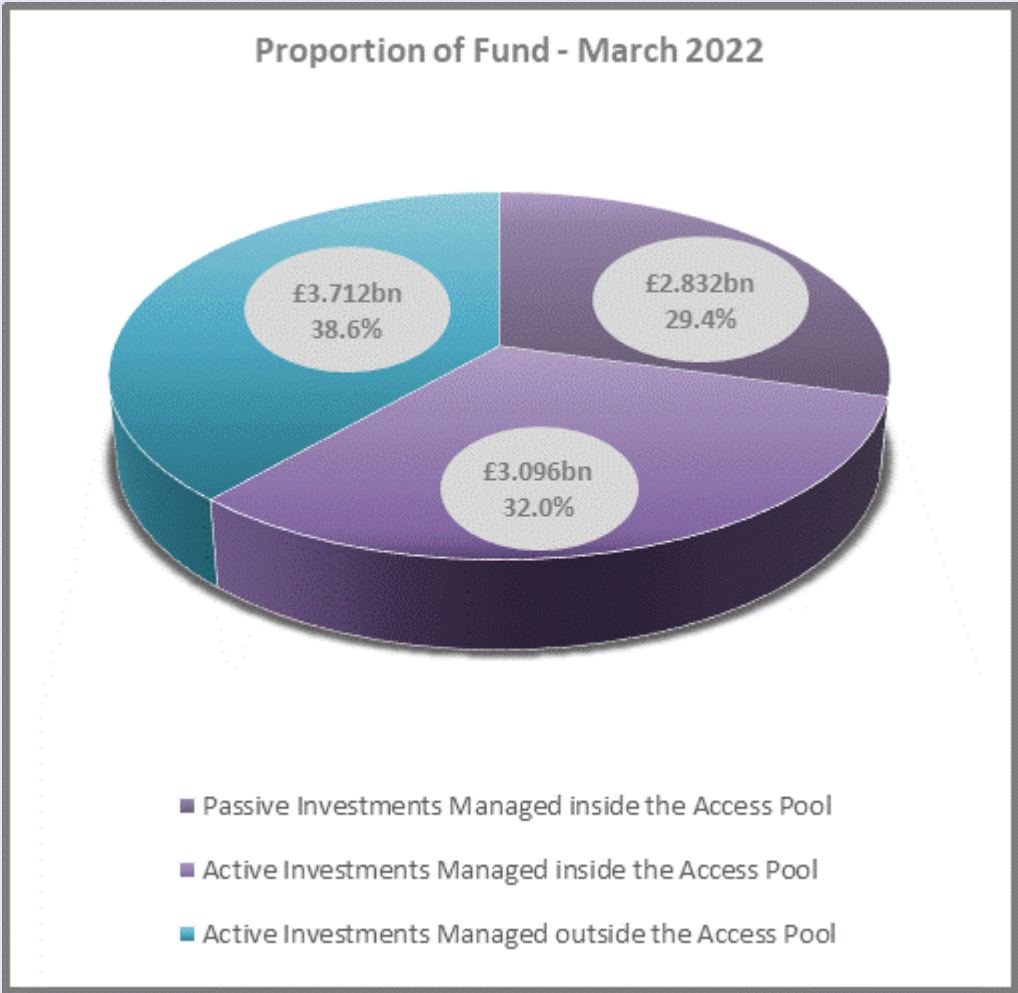
## Annual Report 2021/22

### Asset Pooling

Alongside the ten other Funds within the ACCESS Pool, Essex continues to progress the pooling of its investment management arrangements. A further 4 sub funds were launched by ACCESS's Pool Operator during the year 2021/22.



The proportion of the Fund's assets in and outside of the Pool are as follows:



### Investment Strategy and Responsible Investment

The ISC has continued to further diversify the Fund's Investments which has assisted in the growth and stabilisation of the funding level.

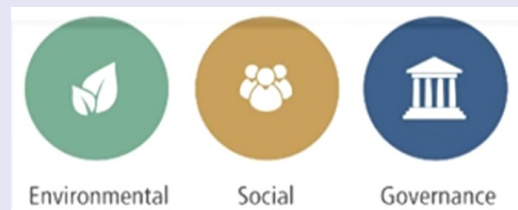


# Essex Pension Fund

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The continued implementation has seen the Funds investment in sustainable timber and renewable energy increased from **6.1%** as at 31 March 2021 to **9.7%** as at 31 March 2022. Direct Investment in fossil fuels has also continued to steadily decrease from **0.05%** as at 31 March 2021 to **0.02%** as at 31 March 2022. The ISC have also made decisions to further disinvest in fossil fuels which will be implemented through the coming year.

The ISC continued to dedicate substantial time and commitment to the subject of Responsible Investment (RI). To this end an RI Project Plan was developed with progress reported to each Committee meeting which included the development of the Fund's Financial Reporting Council (FRC) UK 2020 Stewardship Code submission and the related work within the project regarding Task Force for Climate Related Financial Disclosures (TCFD). Climate Metrics have been agreed by the ISC along with a commitment to impact investing being investigated.



RI ratings on all investment managers have been developed. In addition, dedicated RI engagement meetings were held with each manager to better understand their Environmental, Social and Governance (ESG) policies and practices. These have supported the development of the Investment Engagement Strategy which was approved by the ISC at their February 2022 meeting which was included as evidence within the Fund's submission to the FRC UK Stewardship Code.

### Administration



The Fund's Administration Strategy had been revised which detailed a key change to the Annual Returns process where the Fund introduced a Monthly Return process. The Annual Returns process is where Employers provide their Scheme Members information to the Fund on an annual basis. This has moved to Monthly Returns to enable more accurate and timely data to be collected resulting in more accurate and timely calculations of Scheme Members pensions benefits.

The Strategy was consulted with Fund Employers supported by an Administration Strategy YouTube Video (which has been viewed by sixty six Employers) which was approved by the PSB at their March 2022 meeting.

All PSB, ISC and PAB Members were invited to attend the annual Back to Basics Training Day where a presentational video was presented to explain the impact and long term advantages of Monthly Returns.



# Essex Pension Fund

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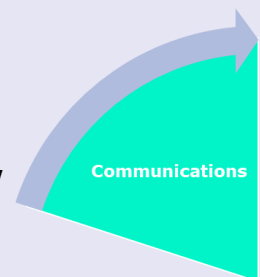
The Administration Team have continued to provide guidance, expert knowledge and help to Scheme Members, Scheme Employers and other stakeholders. During the period of uncertainty caused by the pandemic the team remained focused on providing stakeholders with an excellent level of service. The team continued to attend the office during lockdown making themselves available to help and support stakeholders at a particularly difficult time. The Fund introduced new ways of communicating with Scheme Members by offering virtual face to face appointments with the team's pension experts, fast tracking the roll out of the Fund's digital platforms (Member Online and Employer Online) giving Scheme Members the opportunity of updating and changing personal data on their own pension records and even retiring themselves online without the need of contacting the team. Whilst allowing Scheme Employers to quickly and easily review and update their staff members details.

The Fund continues to grow, both in terms of Scheme Members and Employers, delivering a full range of services to over 174,000 Fund Members, paying £22million to over 48,000 Pensioners. The utilisation statistics of both platforms are detailed below:

Year End	Members invited to Register for Member Online	Members utilising Member online	Employers register and utilising Employer Online
31 March 2020	67,000 (50% of Membership)	22,000 (take up rate of 32%)	280
31 March 2021	87,000 (65% of Membership)	30,000 (take up rate of 34%)	330

### Communications

The Fund's website ([www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)) was updated in 2021 to ensure compliance with the latest accessibility and security requirements. The website was refreshed and the Fund is investigating the launch of a new website.



After the approval from the PSB to move to a more targeted approach to the Fund's Surveys during 2020/21, the responses received during the course of 2021/22 have been extremely positive from both Scheme Members and Employers with a 30% increase in response rate.

In addition, as part of the annual Back to Basics Training Day for PSB, ISC and PAB Members, a Training video was issued regarding the Fund's Communications Policy to prepare them for the review of the Policy during 2022/23.



# Essex Pension Fund

## Annual Report 2021/22

### Other Areas considered were:

#### Investments

- Investment Manager Monitoring:
  - ◇ Annual Performance Review;
  - ◇ Traffic Light Rating Reports;
  - ◇ CEM Benchmarking Value for Money Review;
  - ◇ Annual Investment Scorecard; and
  - ◇ Investment Tables;
- Strategic Implementation:
  - ◇ Investment Strategy Implementation Tracker;
  - ◇ Portfolio Rebalancing;
  - ◇ Infrastructure Review;
  - ◇ Direct Lending Mandate; and
  - ◇ Investment Strategy Decision Framework;
- Independent Investment Adviser (IIA) Future Perspective;
- IIA Procurement;
- Capital Markets Outlook;
- ISC Quarterly Report to the PSB;
- Global Custodian Services Arrangements;
- Review of Index Tracking Approaches;
- Aligning Index Tracking Solution to RI Beliefs;
- Institutional Consultant Review of Competition and Markets Authority (CMA) Strategic Objectives; and
- ACCESS Joint Committee Pooling Updates.

#### Funding

- 2021 Actuarial Interim Funding Review;
- Proposed 2022 Actuarial Triennial Valuation Timetable;
- Employer Updates;
- Employer Risk Review; and
- Amendments to the Funding Strategy Statement (FSS).

#### Administration & Communication:

- Bitesize Training - LGPS landscape;
- LGPS Regulatory Reform including;
  - ◇ McCloud Timeline Updates;
  - ◇ Pensions dashboard;
- AVC Provider Review;
- HM Treasury Consultations including;
  - ◇ SCAPE Discount rate methodology; and
  - ◇ Cost Control mechanism; and
- The Pensions Regulator (TPR) Consultation Response.

#### Governance:

- Terms of Reference for PSB, ISC and PAB;
- PSB Annual Report to Full Council;
- PAB Quarterly Report to PSB;
- PAB Annual Report;
- External Audit programme of Work;
- Internal Audit Report 2020/21;
- PAB Scheme Member and Independent Chairman Recruitment;
- EPF Three-Year Business Plan and 2022/23 Budget;
- Essex Pension Fund Printing and Posting Procurement;
- Draft Annual Accounts;
- Updates on Pension Fund Activity including;
  - ◇ Business Plan;
  - ◇ Risk Register;
  - ◇ Budget; and
  - ◇ Scorecard;
- Outcome of Individual Training Needs Analysis;
- Update on Training Plans;
- TPR Code of Practice 14; and
- Independent Governance & Administration Adviser (IGAA) Contract Review.



# Essex Pension Fund

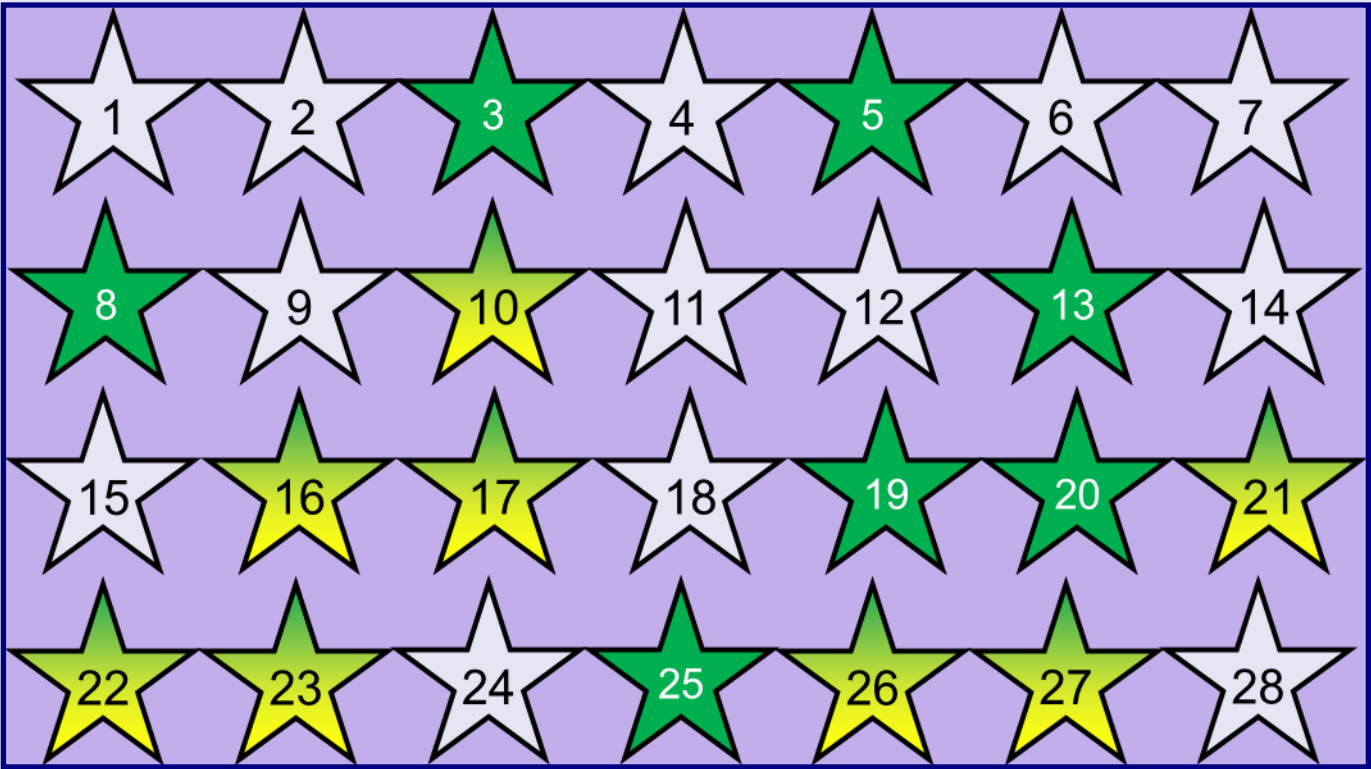
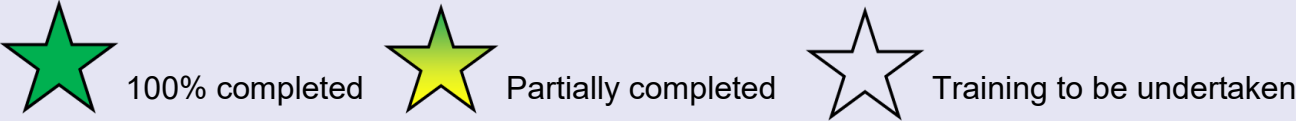
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### Members Training

Members are dedicated to their training and development which enables them to continue the effective fulfilment of their roles.

The Fund continues to support 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 will strive to achieve those through the use of a Two-year rolling Training Plan together with regular monitoring and reporting.

The PSB also approved the utilisation of the LGPS Online Learning Academy (LOLA) which went live on 10 December 2021 to assist the completion of the Two-Year Training Plan. The Training Plan is made up of 28 key areas that Board/Committee Members have agreed to undertake training in and the progress up to 31 March 2022 has been illustrated below:



7 areas of Training have been completed, 8 have been partially completed and 13 are still to be completed.



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Furthermore, PSB, ISC and PAB Members undertake a Training Needs Analysis once every two-years to determine the areas for further training.

This is supported by a Training Needs Analysis meeting with the Director for Essex Pension Fund and the production of an Individual Training Plan. Fund Officers ensure that training is delivered in a way that compliments the activities set out in the Fund's Three-Year Business Plan.



Cllr Susan Barker

Chairman of the PSB and of the ISC

Vice Chairman of ACCESS Joint Committee  
Essex County Council

Essex Pension Fund

