Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held in Committee Room 1 at 10:00am on 18 March 2022

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 M Durham	Conservative Substitute Member (attending on behalf of Cllr Souter)
Cllr A Goggin	
Cllr A Hedley	
Cllr D King	(left 11:45pm)

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 of the meeting:

Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Sara Maxey	Employer Manager
Daniel Chessell	Retirement Manager
Ajai Ajith	Compliance Analyst
Rebecca Cresswell	Lead Employer Analyst (Observer)
Karen McWilliam	Independent Governance & Administration Adviser (IGAA), Aon (left 11:52am)

It was also noted that Cllr C Souter and Cllr C Riley attended via Zoom as Observers of the meeting and as a consequence were unable to vote on decisions if required.

The following Officers were present via Zoom:

Jody Evans	Director for Essex Pension Fund
Helen Pennock	Compliance Analyst

Marcia Wong	Compliance Officer

The following Essex Pension Fund Advisory Board (PAB) Member was present as an Observer:

Nicola Mark	Independent Chairman

The following PAB Members were present remotely via Zoom as Observers of the meeting:

Andrew Coburn	Scheme Member Representative (UNISON)
Debs Hurst	Scheme Member Representative
Christopher Downes	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, Observers and IGAA to the meeting.

Apologies for Absence

It was noted that Cllr M Dent and Cllr M Hoy along with PAB Members Cllr M Bracken, James Durrant and Stuart Roberts had sent their apologies.

Declarations of Interest

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and is a Substitute Member on the Audit, Governance and Standards Committee. In addition, her son was also a member of the Essex Pension Fund and works as a Sustainability Manager for Essex County Council;

Cllr M Platt is a Deputy Cabinet Member and is Vice Chairman of the Audit, Governance and Standards Committee;

Cllr M Durham declared that he was a Deputy Cabinet Member; is a Member of Maldon District Council and is a Governor of Essex Partnership University NHS Foundation Trust (EPUT);

Cllr A Goggin declared that his wife and sister are 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 D King declared that he is also a Member of the Audit, Governance and Standards Committee;

Rachel Hadley declared she was the HR Director of Chelmer Housing Partnership (an Employer of the Fund); and

Cllr C Riley and Sandra Child declared they were in receipt of an Essex LGPS pension.

Resolved:
The Board noted the report.

2. Minutes of PSB meeting held on 15 December 2021

The Minutes of the meeting of the PSB held on 15 December 2021 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 Chairman of the PSB had written to the Chairman of the Audit, Governance and Standards Committee (Audit Committee) on 06 January 2022 setting out the Fund's support for the utilisation of the Public Sector Audit Appointments Limited (PSAA), the national procurement scheme to appoint the Fund's External Auditor for 2023/24 to 2027/28. This was presented to the Audit Committee on 31 January 2022 where it was agreed that the recommendation be taken to Full Council. It was subsequently approved at the 10 February 2022 Full Council meeting;
- a further update would be provided at Agenda item 3 in relation 2020/21 External Audit; and
- it was confirmed that the Administration Strategy and YouTube training video had been sent out for consultation to Scheme Employers on 24 January 2022. An update along with the final Strategy was provided at Agenda Item 5 for the Board's approval.

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

3. External Audit 2020/21: Audit Completion Report Year Ending 31 March 2021

The Investment Manager informed the Board that the Fund was now in receipt of a revised draft Pension Fund Audit Completion Report which was due to be presented to the upcoming Audit Committee on 21 March 2022 along with Essex County Council's Audit Completion Report. It was explained that little had changed with its content and as previously advised, no significant issues had been identified and an unmodified audit opinion was still anticipated.

It was noted that due to an outstanding matter with the County's Audit the Auditors were still not in a position to confirm when they will be in a position for the County's and Pension Fund's Financial Statements to be signed off.

In addition, it was noted that BDO was not in a position to present their Audit Planning Report for the Year Ending March 2022 to the forthcoming Audit Committee meeting. This is now expected to go to the June 2022 meeting.

Resolved:
The Board noted the content of the Report.

4. Update on Pension Fund Activity: Quarterly Update Report

The Compliance Manager provided the Board with the Scorecard position as of 31 December 2021 and an update on progress in relation to the 2021/22 Business Plan, Risk Register and Budget as at 09 March 2022.

Of the forty-five areas of activities highlighted in the Business Plan, the Board noted that forty-two of these had now been completed and of the remaining three activities, one was not applicable and the remaining two would be completed by 31 March 2022.

Members acknowledged the efforts of everyone involved with the Fund in achieving completion of the forty-two activities to date.

Three movements were noted within the Fund's Scorecard, two improvements, and one decline. The successful recruitment process to appoint Christopher Downes as the new Scheme Member representative on the PAB had resulted in a red measure turn green. Whilst a red measure was recorded for the quarter as a result of a 67% attendance rate at the PAB's 15 December 2021 meeting. The final movement from amber to green related to the increase in number of positive Member Survey responses in regard to 'understanding the information'.

The exception report also detailed the continued red measure as of 31 December 2021 relating to the External Audit position which previously been discussed at Agenda Item 3.

Members agreed that going forward annual measures that were amber need not be reported quarterly until they were remeasured. It was also agreed those measures that were amber and unchanged from the previous meeting need not be reported unless any movements had been recorded within the quarter.

It was further explained that two movements had been recorded within the Risk Register noting that one risk had been upgraded as a result of the heightened likelihood of a Cyber related incident and one downgraded due to more certainty around Local Government Pension Scheme (LGPS) reform and its implications on the Fund. It was also confirmed that no new risks have been identified.

Members noted that the Fund was forecasting a 14% underspend against the agreed 2021/22 Budget. This was largely driven by the length of time to recruit new Fund staff.

Resolved:
The Board noted the latest Pension Fund Activity Report.

5. Essex Pension Fund Policies & Publications

5a. Three-Year Business Plan and 2022/23 Budget

The Board received a report in regard to the Fund's Three-Year Business Plan which detailed the Fund's priorities from 2022/23 to 2024/25.

Members were made aware of the new Business Plan activities that were programmed to commence during 2022/23. These included:

- the implementation of the Fund's Stakeholder Engagement Strategy;
- the PAB Annual Workplan;
- the 2022 Actuarial Triennial Valuation;
- further work to be carried out in regard to Responsible Investment and the Fund's Investment Strategy; and
- work relating to the LGPS Reform.

It was highlighted that the PAB Annual Workplan was developed as a consequence of the discussions at the last Board meeting in regard to the work that could be undertaken by the PAB to assist the Board in its Business Plan areas of activity and as a direct outcome of the PAB Governance Effectiveness Review.

In addition, Members considered the proposed Budget of £5.77m to support the Fund's 2022/23 activities as detailed in the Business Plan.

Resolved:
The Board **approved** the:

- Essex Pension Fund Three Year Business Plan for 2022/23 to 2024/25;
- the PAB Annual Workplan; and
- Essex Pension Fund Budget for 2022/23 of £5.77m as detailed in the Business Plan.

5b. Stakeholder Engagement Strategy

Members received a report from the Investment Manager in relation to the development of the Fund's Stakeholder Engagement Strategy. It was explained that the Strategy formalises how the Fund engages with its many types of Stakeholders building around a core set of values and behaviours and sets out the Fund's Resolution Process.

It was noted that the Strategy was not developed as part of a regulatory requirement and the Fund was not aware of any other Local Government Pension Scheme having such a standalone Strategy but was a way the Fund could demonstrate how it wishes to continue to strive for excellence and be innovative. To this end, it was explained that all Essex Pension Fund Officers had contributed to its creation via the outputs of a recent Staff Away Day.

Board Members expressed their delight with the Strategy, supporting the Strategy's Values Statement.

Resolved:
The Board **approved** the Essex Pension Fund Stakeholder Engagement Strategy and noted the content of the report.

5c. Administration Strategy

It was noted that following the Board's approval, the Draft Administration Strategy had been issued out for a four-week consultation to Scheme Employers closing 25 February 2022. As per the Board's suggestion, the YouTube Administration training video was issued alongside the consultation resulting in a total of sixty views.

Four comments were received from Employers resulting in two minor revisions.

In addition, it was noted that the Chairman had requested Fund Officers to make three further minor amendments to include:

- "or other suitable person" at paragraph 3.1.2 (page 167 of the Agenda pack);
- "or other date as set by Government" at 1.6 of table (page 173 of the Agenda pack); and
- "Compensated Added Years" added to the acronym CAYs (page 184 of the Agenda pack).

Members observed the longer legal timeframes set for key administration tasks to that of the Fund's own set targets. Fund Officers confirmed that the Fund currently measures itself favourably against the Chartered Institute of Public Finance and Accountancy benchmark which provides administrative benchmark averages across the whole of the LGPS.

Resolved:
The Board **approved** the Essex Pension Fund Administration Strategy and noted the content of the report.

6. Local Government Pension Scheme (LGPS) Reform

6a. National Pensions Dashboard

The Board received a report from the Fund's IGAA in respect of the National Pensions Dashboard and the recently issued consultation.

It was explained that the Dashboard was a Government initiative in which people will be able to view all their individual pension entitlements in one place and has been on the Fund's radar for the last couple of years. The IGAA provided Members with further clarity and the suggested timeline of the project which was detailed in Appendix B of the report.

Members registered the Fund's support of the Local Government Association's (LGA) draft response to the National Pensions Dashboard consultation issued by The Department for Work and Pensions (DWP), echoing that the implementation timeframe suggested by DWP was not practical for LGPS Funds.

Resolved:
The Board noted the update and the content of the report.

6b. McCloud Update

The Employer Manager presented the Board with an update in regard to the McCloud timeline.

Members were informed that the Bill had been laid before Parliament during January 2022 and received Royal Assent on 16 March 2022. It was explained that the expected timeline for the next steps were:

- Summer 2022 - Remedy Regulations;
- August 2022 - Guidance consultation;
- Winter 2022/23 - Final Guidance; and
- Remedy effective from October 2023.

It was also noted that Officers had already undertaken preparatory work in relation to this, however, until the Guidance was issued the changes that would need to be undertaken regarding the Fund's systems would remain unknown.

Resolved:
The Board noted the update.

7. Quarterly Update Report

7a. Investment Steering Committee (ISC) Quarterly Report

The Investment Manager provided the Board with a report detailing the ISC activity since the previous Board meeting.

It was confirmed that the ISC had met on one occasion, 23 February 2022. The main focus of the meeting was the Fund's progress against the Responsible Investment (RI) Project Plan which included the outcome of the Engagement Meetings with the Fund's Property and Infrastructure managers. The progress and next steps regarding the Fund's draft 2020 Financial Reporting Council (FRC) UK Stewardship Code Submission was also discussed.

In addition, the Committee received a training presentation from the Institutional Investment Consultant on impact investing. It was agreed that Officers and Advisers would ascertain initially the potential to invest more impactfully within the Fund's existing mandates. It was also noted that there was an appetite following more detailed analysis to agree a monetary amount that could be directed to more impactful investment over the medium term.

The other main areas of business discussed were:

- the approval of the Treasury Management Strategy;
- the development and approval of the Investment Engagement Strategy; and
- the agreed approach and next steps in regard to aligning the Fund's index tracking mandate to its RI Policy and Priorities.

Resolved:
The Board noted the content of the Report.

7b. Essex Pension Fund Advisory Board (PAB)

7b(i). Quarterly Report

An update was provided on the PAB activity since the last Board meeting. It was confirmed that the PAB had met on one occasion on 15 December 2021.

During that meeting, the PAB discussed the business of the PSB meeting of 15 December 2021 raising no concerns.

The main areas of business discussed were:

- the outcome of their Governance Effectiveness Review;
- a review of the Fund's 100% compliance against The Pensions Regulator (TPR) Code of Practice 14; and
- the 'hot topic' presentation on Guaranteed Minimum Pension (GMP).

Resolved:
The Board noted the content of the report.

7b(ii). PAB Scheme Member Representation

The Compliance Manager provided the Board with a report which highlighted that an existing PAB Scheme Member representative's four-year Term of Appointment was due to cease in May 2022. Members were advised that Officers had spoken to the incumbent, Debs Hurst, who confirmed that she would like to continue in her role.

Therefore, it was recommended that the Term of Appointment for Debs Hurst be extended for a further two years in line with the PAB's Term of Reference.

Resolved:
The Board **agreed** to extend the current Term of Appointment for Debs Hurst up to six years in line with the PAB's Term of Reference and noted the content of the report.

8. Essex Pension Fund Advisory Board Governance Effectiveness Review - Outcome

The Board received a joint report from the Compliance Manager and IGAA in regard to the outcome of the PAB Governance Effectiveness Review. The IGAA informed the Board that the results of the review were overwhelmingly positive and that no significant issues were identified.

It was explained that the PAB discussed the results of their review at their December meeting where a discussion around succession planning for the PAB took place. At this meeting it was agreed that a recommendation be made to the PSB that a pamphlet be developed to set out the expectations around the role of PAB Members, the level of commitment and the level of support provided by Fund Officers to assist them in their role.

It was also highlighted that this had been detailed in the PAB Annual Workplan which was approved at Agenda item 5a.

Resolved:
The Board **agreed** 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.

The Board noted the content of the report and the summary of the PAB Governance Effectiveness Review.

9. Proposed 2022 Actuarial Valuation Timetable

Following a request at their December meeting, Members received a presentation from the Employer Manager on the proposed timetable for the 2022 Actuarial Triennial Valuation.

The Board were provided with a step-by-step timeline of key milestones which will conclude with the final sign off from the Valuation and Funding Strategy Statement at the March 2023 Board meeting.

It was confirmed that this timetable would be shared with Scheme Employers.

Members were also advised of a Pre-Valuation Webinar to be hosted by Fund Actuary, Barnett Waddingham on 29 March 2022 at 10am. It was confirmed that Officers would provide further details following the meeting.

Resolved:
The Board noted the update.

10. 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 and that the training days would be confirmed in due course.

Essex Pension Fund Strategy Board

06 July 2022	10am - 1pm
21 September 2022	10am - 1pm
07 December 2022	10am - 1pm
22 March 2023	10am - 1pm

In addition, a proposed schedule of future meetings for the 2023/24 municipal year was also presented for the Board's consideration:

Essex Pension Fund Strategy Board

05 July 2023	10am - 1pm
20 September 2023	10am - 1pm
13 December 2023	10am - 1pm
20 March 2024	10am - 1pm

It was also confirmed that the PAB will continue to meet on the same day as the PSB, with a start time of 2pm.

Resolved:
The Board **agreed** the proposed PSB meeting dates for 2023/24 and noted the content of the report.

11. Urgent Part One Business

The Chairman informed the Board that she had been notified recently of the outcome of the Fund's two Internal Audits noting both had received Good Assurance (the highest level) with again, no recommendations made.

It was also explained that these reports would be presented to the Audit Committee at their June 2022 meeting and in turn to the Board at its July 2022 meeting.

The Chairman informed Members that the meeting would reconvene at 11:05am following a short adjournment.

The meeting was adjourned at 10:59am

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The Board reconvened at 11:08am

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.

12. Essex Pension Fund Draft Cyber Policy

The Board received a report from the Compliance Manager summarising the Draft Cyber Policy that had been developed by Officers in consultation with the IGAA in line with the guidance issued by TPR.

Members were made aware that this Policy should not be treated as a standalone document but in conjunction with the Fund's Policy for Recording and Reporting Breaches of the Law and the Business Continuity Policy.

A discussion on various elements of Cyber Risk took place including the sensitivity around publishing the Fund's Cyber Risks and the development of third party, Host Authority and Scheme Employer Cyber Risk questionnaires.

Resolved:
The Board **approved** the Draft Cyber Policy and noted the content of the report.

13. Review of Additional Voluntary Contributions (AVC's) Arrangements

The Board received a report which detailed the findings of the independent review undertaken by Barnett Waddingham of the Fund's Additional Voluntary Contributions (AVC) providers. The review acknowledged that there were no new providers in the market and as such recommended that no changes be made to the Fund's current providers. A copy of the review was supplied at Appendix A of the report.

The Board noted that only 0.2% of Fund Membership held AVC's.

Members enquired as to whether an advertisement of AVC's could be developed within the Member Online portal which Officers confirmed would be explored.

Resolved:
The Board **agreed** no changes be made to the current AVC arrangement.

14. Employer Risk Review

Members received a report from the Employer Manager detailing the outcome of the Employer Risk Analysis undertaken by Fund Officers.

Of the 700 plus Fund Employers, two potential at-risk Employers were identified who were without security or guarantor, it was explained this was due to the historical admission to the Fund of the Community Admission Bodies. It was noted that there was no significant impact on the Fund due to the size of these Employer's liabilities.

The Board were also advised that a summary report would be included within the Employer Update at future meetings.

Resolved:
The Board noted the content of the report.

15. Pooling Update

The Investment Manager provided the Board with an update from the last ACCESS Joint Committee (AJC) meeting which was presented at the 23 February 2022 Investment Steering Committee (ISC) and in particular had implications for the Fund.

It was noted:

- that the ISC agreed the ACCESS Authorities S151 Officers' recommendation to accept 2022/23 ACCESS Budget totalling £1.366m, £124k per Authority, to support the 2022/23 Business Plan;
- that the AJC had agreed that two sub-funds be set up in the Emerging Markets (EM) equity space as a consequence the ISC agreed that a formal EM equity proposal be brought to a future meeting; and
- the successful launch of ACCESS's M&G Alpha Opportunities Fund on 01 December 2021 and that the Fund had transitioned its assets successfully to the sub fund and had since made two further subscriptions.

Resolved:
The Board noted the update.

The Chairman asked Karen McWilliam, IGAA, to leave the meeting in order for the next agenda item to be discussed.

Karen McWilliam left the meeting at 11:52am

16. Independent Governance & Administration Adviser (IGAA) Contract Review

The Board received a report from the Compliance Manager detailing the outcome of the first IGAA Contract Review which had taken place 08 February 2022.

It was explained that this was the first assessment carried out and provided a baseline on which to assess the IGAA's performance on an annual basis going forward. The opportunity was taken to formalise the approach based on that used for the Competition and Markets Authority (CMA) Objectives annual review of the Fund's Institutional Investment Consultants (Hymans Robertson).

The baseline was discussed with Chairman and Vice Chairman of the Board and Independent Chairman of the PAB prior to the Review.

Resolved:
The Board noted:

- the Assessment, as set out in Appendix A of the report, of the objectives of the Fund's IGAA, Aon;
- Fund Officers to periodically monitor and review Aon's progress and establish next steps as and when applicable;
- a formal assessment to be undertaken in 12 months' time with Aon, and the outcome to be reported back to the PSB in Q4 2022/23; and
- the content of the Report.

17. Urgent Exempt Business

There was none.

Closing Remarks

There being no further business, the meeting closed at 11:58am.

Chairman
06 July 2022