Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held in Committee Room 1 at 10:00am on 15 December 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 M Durham	Conservative Substitute Member (attending on behalf of Cllr Goggin)
Cllr A Hedley	
Cllr D King	
Cllr C Souter	

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:

Jody Evans	Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager

It was also noted that Cllr A Goggin, Cllr C Riley and Cllr M Dent attended via Zoom as Observers of the meeting and therefore were unable to vote on any decisions required.

The following Officers and Advisers were present remotely via Zoom:

Sara Maxey	Employer Manager
Daniel Chessell	Retirement Manager
Helen Pennock	Compliance Analyst
Ajai Ajith	Compliance Analyst
Marcia Wong	Compliance Officer
Christine Golding	Chief Accountant, Essex County Council (left 10:24am)

Karen McWilliam	Independent Governance & Administration Adviser (IGAA), Aon
Graeme Muir	Fund Actuary, Barnett Waddingham

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

Nicola Mark	Independent Chairman
Andrew Coburn	Scheme Member Representative (UNISON)
Stuart Roberts	Scheme Member Representative
Christopher Downes	Scheme Member Representative
Cllr Martin Bracken	Employer 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 Advisers to the meeting.

The Board were also advised that Agenda Item 9, Urgent Part One Business, would be taken directly after Agenda Item 2.

Apologies for Absence

It was noted that Cllr M Hoy and PAB Members, James Durrant, Cllr J Duffin and Deb Hurst 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 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

Sandra Child declared she was in receipt of an Essex LGPS pension.

Resolved:
The Board noted the report.

2. Minutes of PSB meeting held on 22 September 2021

The Minutes of the meeting of the PSB held on 22 September 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 Fund had signed up all Members of the PSB, Investment Steering Committee (ISC) and PAB to the Local Government Pension Scheme (LGPS) Online Learning Academy (LOLA) which went live on 10 December 2021. All Members were advised that they should have received an email from Hymans Robertson and the Compliance Team inviting them to register and were reminded that if they were having any difficulties using the system, to contact the Compliance Team who would be able to provide support;
- Fund Officers would advise Members which modules would be recommended for completion at certain points throughout the year based on the PSB, ISC and PAB meeting Agendas. However, Members may wish to proceed with the completion of the training modules should they wish to do so;
- completed Training Needs Analysis (TNAs) from all new Members of the PSB, ISC and PAB have been received and one-to-one meetings with these Members have been scheduled for January 2022;
- the Fund is now in receipt of the draft Audit Completion Report from BDO which was provided as part of Agenda Item 3; and
- both the PAB Scheme Member and Independent Chairman recruitment processes had been completed with a further report for the Board's consideration provided at Agenda Item 5b(ii).

The Compliance Manager provided the Board with an update on progress against the Two-Year Training Plan.

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

9. Urgent Part One Business – National Scheme for Local Auditor Appointments

The Board received an update from Christine Golding, Essex County Council (ECC) Chief Accountant on a report considered at the Audit, Governance and Standards Committee (Audit Committee) meeting held on 13 December 2021 in regard to the options available to local authorities for re-procuring and the appointment of an External Auditor for ECC and the Fund for the next cycle of external audits (2023/24 to 2027/28).

The two options presented were the utilisation of the Public Sector Audit Appointments Limited (PSAA), the body responsible for appointing external auditors for each local authority that opts into its national procurement scheme process or alternatively that ECC undertake a standalone independent procurement exercise to appoint its own External Auditor.

The Board considered both options, noting the pros and cons for each and reluctantly agreed to support the recommendation that PSAA's national procurement arrangements be used.

Resolved:
The Board **agreed** to support the recommendation that ECC opt into the PSAA national procurement scheme and that the Chairman would write to the Chairman of the Audit Committee, confirming that the item had been fully discussed with the Board and to express the Fund's support for the proposal.

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

The Investment Manager updated the Board on the current status of the audit and the outcome of the draft Audit Completion Report for the Fund. It was noted that no significant issues had been highlighted and that an unmodified audit opinion was anticipated.

However, due to the delays in finalising the Council's audit, the intention was that BDO would now present their findings to the rescheduled Audit Committee on 17 January 2022 where it was hoped that the Financial Statements for both the Pension Fund and County would be approved.

Despite BDO outlining the continued issues they were experiencing in regard to completing the Fund audit, Members expressed their disappointment for yet further delays and the knock-on effect this had on Fund Officers completing the annual plan of work and estimated costs.

Member's acknowledged that Officers have worked above and beyond to facilitate BDO with the external audit acknowledging that the issues being sighted were out the Pension Fund's control and as a consequence, it was

agreed that the Chairman of the PSB further write to the Chairman of the Audit Committee to express the Board's ongoing concerns.

The Board were informed that Fund Officers successfully published the Fund's Report and Accounts (R&A's) by the statutory deadline of 01 December 2021. However, for the reasons mentioned this was in draft and without the audit opinion.

Resolved:
That the Chairman write to the Chairman of the Audit Committee expressing the Board's disappointment in regard to the further delays in the sign off of the Audit and that 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 at 30 September 2021 and an update on progress in relation to the 2021/22 Business Plan and Risk Register as at 30 November 2021 and Budget as at 06 December 2021.

Of the forty-five areas of activities highlighted in the Business Plan, the Board noted that twenty of these had been completed and of the remaining activities all were on track to be completed by 31 March 2022.

It was also noted that the Fund was forecasting an 8% underspend against the agreed 2021/22 Budget.

In relation to the Scorecard, two improvements within the exception report relating to Administration were noted. One movement from amber to green in regard to the annual measure for processing and paying refunds within ten working days and the other, a movement from red to amber in regard to the annual measure for calculating and notifying deferred benefits within thirty days.

The exception report also detailed two red measures as at 30 September 2021. One in relation to the PAB vacancy, however, the Board were advised that the recruitment process was now complete and that this would be green at their next meeting. The other red measure was in regard to the External Audit position which had already been discussed at the previous Agenda Item. The remaining amber measures were noted by the Board.

It was also explained that two movements had occurred within the Risk Register noting that both were in regard to the knowledge, expertise and reliance on the Fund's Advisers which had been re-assessed by Fund Officers as all had contract end dates within 18 months of each other and potentially they were all approaching an age where thoughts of retirement may be of consideration. Members were made aware that discussions would be held with each Adviser to establish succession planning arrangements.

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

5. Quarterly Update Report

5a. Investment Steering Committee (ISC) Quarterly Report

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

It was confirmed that the ISC had met on two occasions the 13 October and 29 November 2021. The main focus of both meetings was the Fund's approach to Responsible Investment (RI) including the progress against the Project Plan and the Engagement Meetings with the Fund's investment managers.

13 October 2021
At this meeting it was agreed that Officers and Advisers would formulate an Engagement Strategy based on the work that had been undertaken with the Fund's active equity investment managers and adopt this approach with the Fund's other investment managers going forward.

The other main areas of business discussed were:

- the review undertaken by Hymans Robertson in regard of the Index Tracking mandate and its alignment to the Fund's RI Policy;
- an update in regard to the 25 June 2021 informal, and 06 September 2021 ACCESS Joint Committee (AJC) meetings; and
- a training session that was provided by the Fund's Global Custodian, Northern Trust in regard to their Role and how they protect the Fund's assets.

29 November 2021
The main areas of business discussed were:

- investment manager performance, with the Fund reaching an all-time high of c£9.7bn;
- the workshop with the Fund's index tracking manager, UBS;
- the Task Force on Climate-Related Financial Disclosures (TCFD) was another key focus point discussed with the Committee agreeing to monitor and set targets on several climate metrics;
- the Committee's agreement in line with ECC's pledge, that the Fund aspire to have a portfolio that was in line with net zero by 2050; and
- various rebalancing decisions around the Fund's equity, bond and alternative mandates.

Resolved:
The Board noted the content of the Report.

5b. Essex Pension Fund Advisory Board (PAB)

5b(i). Quarterly Report

An update was provided on PAB activity since the last Board meeting. It was confirmed that the PAB had met on one occasion on 22 September 2021.

During that meeting, the PAB discussed the business of the PSB meeting of 22 September 2021 raising no concerns.

The main areas of business discussed were the:

- approval of their Two-Year Training Plan and the agreement by the PSB to sign up to LOLA; and
- the commencement of the PAB Governance Effectiveness Review where Members were notified that a questionnaire would be issued by the IGAA.

Resolved:
The Board noted the content of the report.

5b(ii). Scheme Member and Independent Chairman Recruitment

The Compliance Manager provided the Board with the outcome of the Scheme Member recruitment noting that following interviews during October 2021, the Appointments Panel had successfully appointed Christopher Downes from ECC as the new Scheme Member representative on the PAB for a term of up to six years.

In addition, one application had been received for the role of the PAB Independent Chairman. It was noted that due to the current incumbent being the only applicant, a desktop Evaluation of the application was carried out by Fund Officers and subsequently approved by the Appointments Panel for onward approval by the Board.

Resolved:
The Board **agreed** to reappoint Nicola Mark, MBE to the role of the Independent Chairman for a term of four years with the option to extend for a further two-years in line with the PAB's Terms of Reference.

The Board noted:

- the appointment of Christopher Downes, ECC, to the vacant Scheme Member representative position on the PAB; and
- the content of the report.

6. Fund Policies: Review of Administration Strategy

Following a review of the Fund's Administration Strategy, the Board were presented with a report explaining the changes that had been made.

It was explained that the majority of the content remained unchanged, the key change was in regard to the Fund's movement from annual to monthly returns from Employers. In addition, other changes included:

- the addition of notifiable events within the Employer responsibilities;
- the amendment to the wording of the CIPFA benchmarking measures; and
- the 10% increase to the flat rate charges not included in the administration charge.

Officers requested for any feedback from the Board to be provided by 07 January 2022, prior to the Strategy being circulated to Employers for consultation during January and February 2022.

In addition, Members acknowledged the YouTube Training Video that had been provided to the Board to assist with their understanding of the Administration Strategy which was well received. It was also suggested that this could be of benefit to the Employers and therefore could be issued to them when consulting on the Strategy. Officers agreed to consider this.

Resolved:
The Board **agreed**:

- the draft Administration Strategy be circulated during January and February 2022 to Scheme Employers for consultation;
- for Officers to consider issuing the Administration Strategy YouTube Training Video to Employers; and
- to note the content of the report.

7. 2021 Actuarial Interim Review

The Fund's Actuary Graeme Muir, Barnett Waddingham, provided the Board with an overview of the Valuation process followed by a presentation detailing the outcome of the Interim Review as at 31 March 2021.

It was noted that the Funding Level had improved from 96.2% to 98.8% in the 12 month period since the last review and that no changes to Employer contribution rates or the Funding Strategy Statement were required prior to the 2022 Valuation.

In addition, the Board were informed that the 2022 Valuation timetable would be brought to the March 2022 meeting.

Resolved:
The Board noted the content of the report.

8. Schedule of Future Meetings and Events

The Board received a report from the Compliance Manager detailing the remaining PSB meeting date for the current municipal year highlighting that

following consultation with the Chairman and Vice Chairman had changed to Friday 18 March 2022 to enable ISC Members and Fund Officers to attend the LGC Investment Seminar on 23 and 24 March 2022.

Members were also reminded of the planned Back to Basics Training Day which was scheduled for 31 January 2022.

A proposed schedule of future meetings for the forthcoming municipal year 2022/23 was also presented for the Board's consideration:

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

It was also confirmed that the intention is for the PAB to 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 2022/23; and
- to note the content of the report

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.

10. Employer Update

The Employer Manager provided the Board with an update in respect of the Employer cessations and the progress against a payment plan.

In addition, the Board received an update in regard to the Deferred Debt Arrangement (DDA) agreement that had been set up with one of the Fund's Employers.

Resolved:
The Board noted the content of the report.

11. Urgent Exempt Business

There was none.

Closing Remarks

There being no further business, the meeting closed at 11:26am.

Chairman
18 March 2022