

**Essex Pension Fund**

**Annual Report 2019/20**

**September 2020**

## 1. Introduction

This is the eleventh Annual Report of the Essex Pension Fund Board(s), covering the period from 1 April 2019 until 31 March 2020.

## 2. Roles and Functions

### Essex Pension Fund Strategy Board

The Essex Pension Fund Strategy Board (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's Terms of Reference was reviewed by Essex Pension Fund Officers during 2019 in consultation with the Independent Governance and Administration Adviser (IGAA). The revised Terms of Reference was subsequently approved by Essex County Council (ECC) at the October 2019 Full Council meeting and can be found within the [ECC Constitution](#).

The PSB met four times during the period covered by this report: on 3 July 2019, 11 September 2019, 18 December 2019 and 4 March 2020.

### Membership

During the period covered by this report the PSB had 11 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 2020 was as follows:

#### Essex County Council (7)

Councillor Susan Barker	Chairman
Councillor Mark Platt	Vice Chairman
Councillor Alan Goggin	
Councillor Anthony Hedley	
Councillor Malcolm Maddocks	
Councillor Lee Scordis	
Councillor Clive Souter	

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

Councillor Colin Riley	Castle Point Borough Council
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#### Unitary Councils in Essex (1)

Councillor Matt Dent	Southend-on-Sea Borough Council
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#### Scheme Members (nominated by UNISON) (1)

Mrs Sandra Child

#### Other Employing Bodies (1)

Mrs Jenny Moore	Billericay School
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Attendance at PSB meetings during 2019/20 was 89%.

### Investment Steering Committee

The Essex Pension Fund Investment Steering Committee (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. The ISC's Terms of Reference, revised during 2019, can also be found within the [ECC Constitution](#).

Attendance at ISC meetings during 2019/20 was 86%.

### **Essex Pension Fund Advisory Board**

The Essex Pension Fund Advisory Board (PAB) has been established as the Local Pension 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;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator (tPR).

The PAB's Terms of Reference, revised during 2019, can be found within the [ECC Constitution](#).

### 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 2020 was as follows:

#### Independent Chairman (1)

Nicola Mark Head of Norfolk Pension Fund

#### Scheme Member Representatives (4)

Andrew Coburn Pensioner, Ex County Council, UNISON (Vice Chairman)

Vacant Position (until 24 September 2019) -

Paul Hewitt (until 24 September 2019) Deferred Member, Southend Borough Council/Harlow District Council

Debs Hurst Active Member, Chelmsford College

James Sheehy (from 25 September 2019) Active Member, Witham Town Council

Stuart Roberts (from 25 September 2019) Active Member, Shenfield High Academy

### Employer Representatives (4)

James Durrant	Essex Fire Authority
Councillor Terry Cutmore	Rochford District Council
Councillor Shane Hebb	Thurrock Borough Council
Councillor Simon Walsh	Essex County Council

Attendance at PAB meetings during 2019/20 was 78%.

### **3. Dimensions of the Fund**

Based on the draft accounts, as at 31 March 2020 the value of the Fund's assets was £6.6bn. This is a noticeable decline resulting from stock market's reaction to the Covid-19 crisis.

The total value of pensions paid during 2019/20 was £212m, together with other benefits totalling £48m. The average payment made each year is c£5k.

The total number of beneficiaries are as follows:

	<b>2019</b>	<b>2020</b>
Contributors	52,524	57,498
Deferred Members	73,827	69,857
Pensioners	42,405	44,682
<b>Total</b>	<b>168,756</b>	<b>172,037</b>

(Deferred Members are former employees who have chosen not to transfer their pension rights.)

The PSB exercises on behalf of the Council the management of the Pension Fund whose membership comes from over 700 separate Employing Bodies, including:

- Essex County Council;
- Scheduled Bodies, which are local authorities 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 1 April 2019 and 31 March 2020:

#### Governance

During 2019, the Fund conducted a full review of the PSB, ISC and PAB Terms of Reference. This was an extensive piece of work drawing in advice from the Fund's IGAA and ECC's Monitoring Officer and concluded with a revised Governance Policy and Compliance Statement being approved at the PSB's 4 March meeting.

This piece of work set the foundation for the PAB Membership review which saw the extension of the Independent Chairman for a further two years, the appointment, following an extensive interview process of

two new Scheme Member Representatives and the re-appointment of the Essex Fire Authority Employer Representative.

In addition, a review of the PAB meeting arrangements was carried out. The review concluded that effective from 1 April 2020 PAB meetings would align with the PSB by following their morning meeting, thus increasing the number of meetings to four.

A review of the Fund's governance arrangements effectiveness is due to be undertaken by the Fund's IGAA at the end of 2020/21.

Fund Officers in conjunction with the PSB undertook an extensive review of the Fund's objectives and risks in 2018/19, resulting in the Fund completing a new style 2020/21 – 2022/23 three-year Business Plan. This sets out the Key Priorities and Strategic Business as Usual for the next three years across the five key areas of: Governance, Funding, Investments, Administration and Communications. This piece of work has set the direction for the Fund for the next three years and was approved by the PSB at their 4 March 2020 meeting. The Business Plan has also been published on the Fund's website ([essexpensionfund.co.uk](http://essexpensionfund.co.uk)).

In addition, the Fund, assisted by the PAB, have reviewed compliance against the recommendations made in the Scheme Advisory Board's (SAB) Good Governance Project and have reported the assessment to the PSB during the course of the year. The PSB noted the Fund was in a good position going forward.

### Funding

This year saw the outcome of the Actuarial Triennial Valuation that was undertaken as at 31 March 2019. It was noted that the funding level had improved to 97% (89% funding level at 31 March 2016). This was consistent with the interim reviews that were conducted in 2017 and 2018 where the funding levels increased from 89% to 93% and 94% respectively. The PSB, whilst welcoming this outcome was mindful that the Fund over recent times had experienced investment performance above the actuarial assumption and of its Funding objectives, in particular setting stable contributions. As such it was agreed that a 5% asset shock be included within the actuarial calculations, thus allowing a buffer should the Fund experience future adverse market conditions.

In addition, the Fund's Funding Strategy Statement which took on board several new aspects was issued out for consultation to Members of the PSB and the participating Employers which concluded on 2 March 2020. At their March 2020 meeting, the PSB approved the Funding Strategy Statement which was subsequently published alongside the Actuarial Valuation report by the statutory deadline of 31 March 2020.

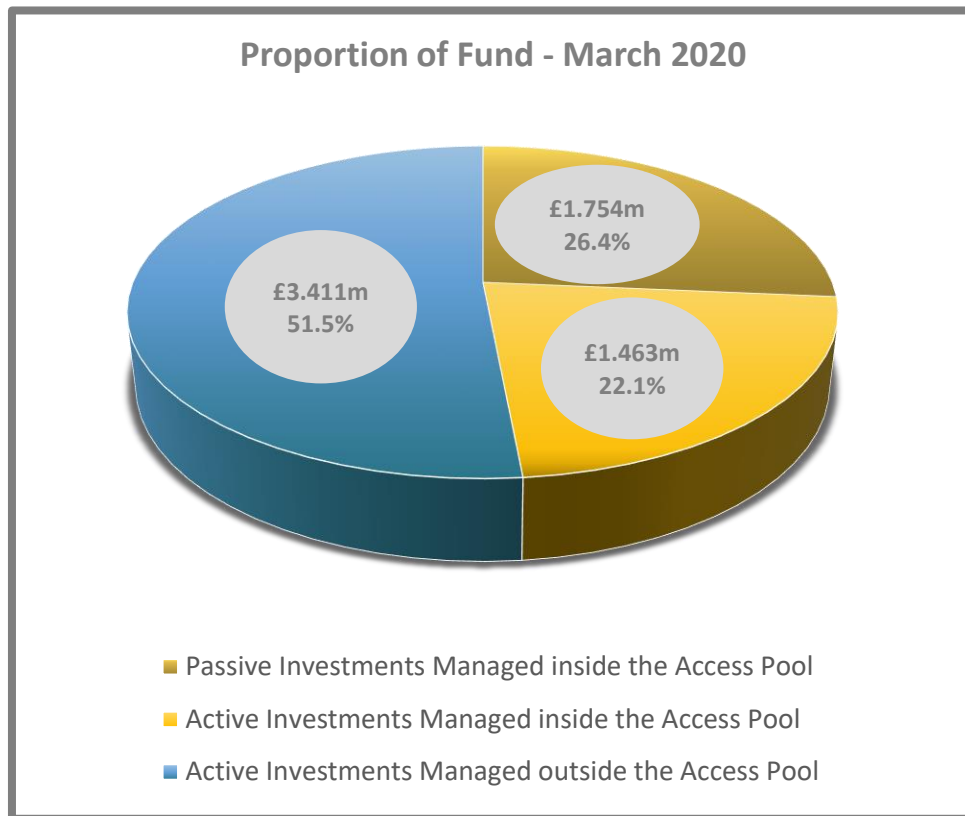
The Fund has also been preparing for the impact of the Government changes to regulations resulting from the McCloud judgement, the unpausing of Cost Cap, the £95k Cap and Goodwin. These will impact on the Fund's Employer, Administration and Communications teams over the coming years.

### Asset Pooling

Alongside the ten other Funds within the ACCESS Pool, Essex continues to progress the pooling of its investment management arrangements.

2019/20 saw the implementation of the ACCESS Support Unit (ASU), hosted by ECC, and funded by the eleven ACCESS Funds to oversee the pooling of investments and the management of the ACCESS Pool Operator, Link Fund Solutions (Link). As at 31 March 2020, Link had launched 15 ACCESS sub funds.

By the end of 2019/20 the Fund had around half of the asset portfolio under ACCESS pooled governance. Fee savings realised in 2019/20 was in the region of £2m. The chart below summarises Essex's pooling progress as at 31 March 2020.



#### Investment Strategy and Responsible Investment

The ISC continued to make significant progress in its migration away from equities to alternative assets. In order to reach its target strategic allocation of 45% the ISC agreed and implemented a new 4% allocation to Partners Group to manage a global property mandate along with additional allocations to the Fund's infrastructure and timber managers: IFM Investors; JP Morgan; and Stafford Timberland.

The ISC focus for the year was around the review of the Investment Strategy Statement, in particular the consideration of Economic, Social and Governance (ESG) factors in order to develop a Responsible Investment (RI) Policy.

The ISC convened a workshop in October 2019 specifically on ESG to enable a more in-depth discussion around ESG factors. At its November 2019 meeting an update was provided on the outcome of the RI Workshop, which led the Committee to articulate and agree a set of RI beliefs. Members, in line with their belief to work collaboratively with other pension funds, also agreed to join the Local Authority Pension Fund Forum (LAPFF).

The RI beliefs now form an RI Policy which was agreed at the February 2020 ISC meeting, enabling it to be shared with the Fund's Investment Managers for their feedback and comment.

The full Investment Strategy Statement with the inclusion of the RI Policy will be subject to a full stakeholder consultation in the Summer and subsequently published during 2020/21.

Other areas considered were:



## 6. Member Training

There is a firm commitment to training and development, with a view to ensuring that Members are able to fulfil their roles effectively.

Details of Members' attendance at the Fund's Board(s) meetings and training events (internal and external) are monitored throughout the year.

Member training is predominately delivered within the Board(s) meetings, or in 1 to1 face to face meetings. Within the 3 Year Business Plan it is highlighted that training for Board(s) will be reviewed during 2020/21 and individual training needs analysis will form part of the new arrangements.

## 7. Awards

During the year, the Fund was shortlisted for three LAPF Investments Awards and was successful in winning the Scheme Governance Award.

The Fund was also shortlisted for three Pension Age Awards, winning the Best Risk Management Exercise Award.



Cllr Susan Barker  
Chairman of the PSB and of the ISC  
Vice Chairman of ACCESS Joint Committee  
Essex County Council