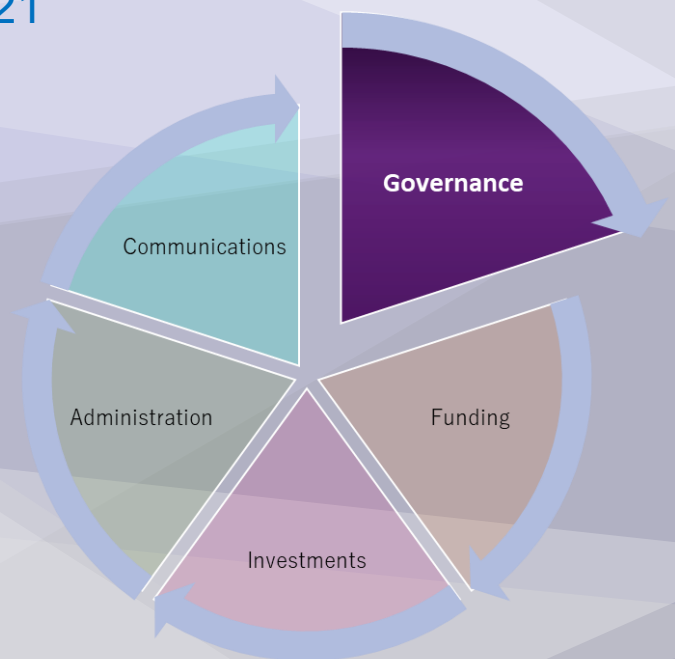


Essex Pension Fund

Essex Pension Fund Annual Report 2020/21

July 2021



Essex Pension Fund

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1. Introduction

This is the twelfth Annual Report of the Essex Pension Fund Board(s), covering the period from 1 April 2020 until 31 March 2021.

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 March 2021. The TORs can be found within the [ECC Constitution](#).

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 met three times during the period covered by this report: on 23 September 2020, 16 December 2020 and 17 March 2021. Due to the COVID-19 Pandemic and no legislation being in place at the time to allow for meetings to take place virtually the meeting scheduled for 17 June 2020 was cancelled.

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 2021 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	



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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

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 2020/21 was 94% against a target of 80%.

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.

Attendance

Attendance at ISC meetings during 2020/21 was 94% against a target of 80%.

Essex Pension Fund Advisory Board

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;
- to secure compliance with requirements imposed in relation to the LGPS by The Pensions Regulator (TPR).

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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 2021 was as follows:

Independent Chairman (1)

Nicola Mark	Independent
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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
James Sheehy (until 22 February 2021)	Active Member, Witham Town Council
Vacant (from 23 February 2021)	-

Employer Representatives (4)

James Durrant	Essex Fire Authority
Councillor Shane Hebb	Thurrock Borough Council
Councillor Simon Walsh	Essex County Council
Councillor Terry Cutmore (until 02 April 2020)	Rochford District Council
Councillor Martin Bracken (from 11 June 2020)	Chelmsford City Council

Attendance

Attendance at PAB meetings during 2020/21 was 81% against a target of 80%.

3. Dimensions of the Fund

In March 2020 there was a decline in the value of the Fund's assets falling to £6.6bn resulting from the stock market's reaction to the Covid-19 crisis, over the last year the Fund's value has reached an all-time high and based on the draft accounts, as at 31 March 2021 the value of the Fund's assets was £8.7bn.

The total value of pensions paid during 2020/21 was £220m, together with other benefits totalling £38m. The average payment made each year is c£4.8k.

The total number of beneficiaries are as follows:

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	2020	2021
Contributors	57,498	54,568
Deferred Members	69,857	68,914
Pensioners	44,682	46,210
Total	172,037	169,692

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/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 1 April 2020 and 31 March 2021:

Governance

At the start of 2020/21, the Fund was faced with an unprecedented change in legislation that would allow the PSB, ISC and PAB meetings to be held on a virtual platform enabling the Fund's key decisions to continue to be made by PSB and ISC Members. The Fund adapted to this change seamlessly allowing Part I Public meetings to be carried out via Zoom in line with ECC Democratic Services guidance and Part II via Microsoft Teams.

During the year key Fund Policy documents were reviewed including the Knowledge and Skills Strategy setting out a full programme of training for the PSB and ISC, in order to allow its Members to acquire the detailed knowledge necessary to exercise their responsibilities effectively. Other policies reviewed by the PSB included: Recording and Reporting Breaches of the law; Risk Strategy; Business Continuity Policy; and the Governance Policy and Compliance Statement. The PSB also concluded the review of the Fund's Strategic Objectives, Risks and Scorecard Measures with the final element being the agreement of the new Communication Scorecard Measures at their March 2021 meeting.

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Funding

In April 2020, the 2019 Valuation rates set by the Funds Actuary commenced. The pandemic affected some Employers' cashflows and the Fund worked with these Employers to set a manageable approach to enable the continuation of contributions in line with the regulations.

Further work was undertaken by the PSB regarding the Fund's Funding Strategy Statement with the inclusion of an Employer Ill Health Policy and more recently the development of Employer Flexibilities Policies. These policies will help Employers in regard to unforeseen costs by way of an in-house insurance policy for Ill Health and the management of exits without requiring full exit costs to be met in one payment. It should be noted that these policies do not impact on the Employers' decision when awarding an Ill Health pension.

Despite the market volatility experienced, the Funding level suffered little impact as demonstrated in the table below. The latest Interim Valuation (as at 31 March 2020) presented to the PSB's December 2020 meeting highlighted that the new approach to hold back 5% of the assets in an asset shock reserve at the last Valuation was a key factor in maintaining the Funding level by using just 20% of this reserve.

Valuation Date	Assets	Liabilities	Surplus/ (Deficit)	Funding Level
31-Mar-19	6,711,392	6,971,143	-205,751	97%
31-Mar-20	6,900,714	7,173,612	-272,898	96.2%
31-Mar-20 Invoking 20% of asset shock reserve				97.20%

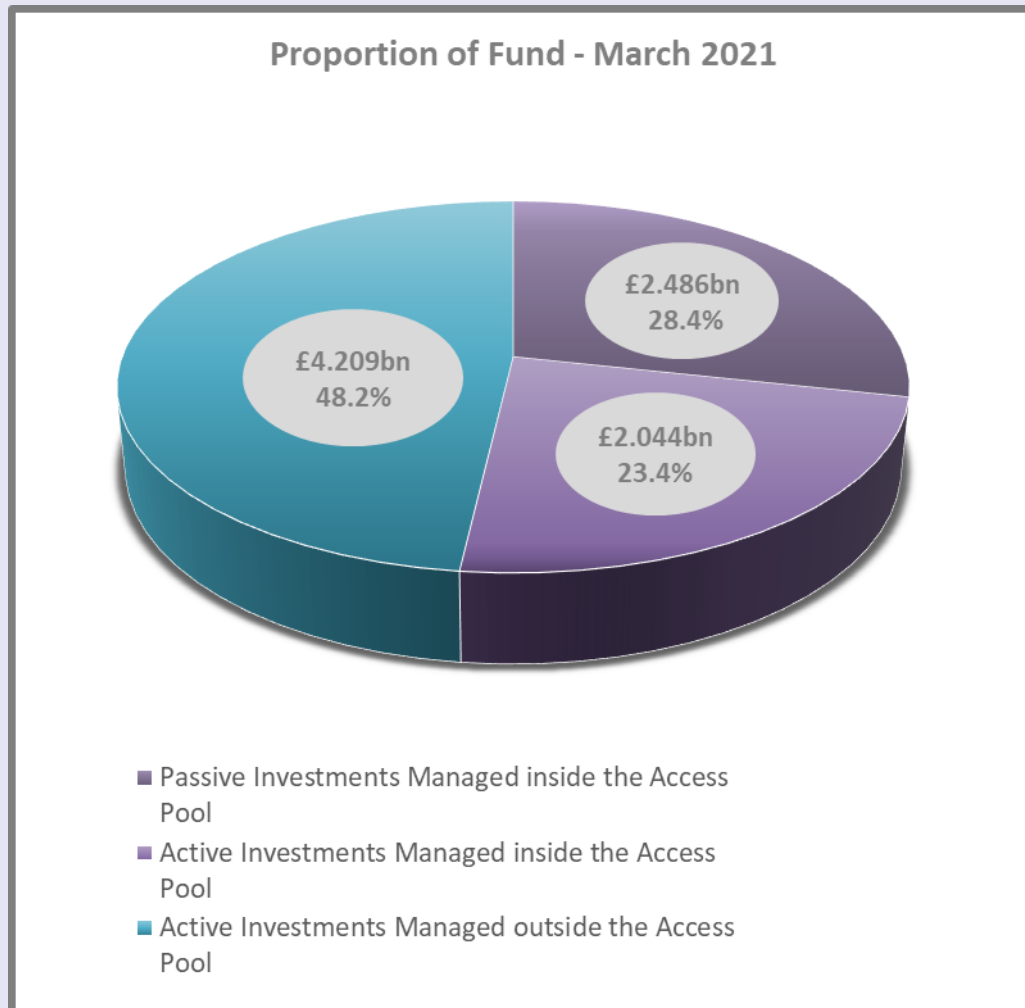
Asset Pooling

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

Despite challenges that this year has brought, a further seven sub funds were launched by ACCESS's Pool Operator, Link Asset Solutions taking the number to twenty-two.

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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 to further increase the Fund's strategic allocation to infrastructure and timber of an additional 4% and 2% taking the total allocation to 10% and 4% respectively.

This decision has seen the Fund's investments in sustainable timber and renewable energy increase from 5.1% as at 31 March 2020 to 6.1% as at 31 March 2021. It is expected as commitment is drawn down over the next few years the Fund's exposure will continue to rise. Direct investment in fossil fuels has also been steadily decreasing; as at 31 March 2021 it was 0.05% compared to 0.22% as at 30 September 2015.

The ISC continued to dedicate substantial time and commitment to the subject of Responsible Investment (RI). Following a full stakeholder consultation during summer 2020 the revised Investment Strategy Statement was subsequently published.

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The Fund is committed to working collaboratively with others. To this end, the Fund continues to be a member of the Local Authority Pension Fund Forum, a voluntary shareholder engagement group for local government pension funds and continues its work with the ACCESS Pool and its local authorities as part of its commitment in this regard.

The ISC have reviewed its arrangements with both its Institutional Investment Consultant and Independent Investment Adviser and look forward to continuing its partnership with Hymans Robertson and Mark Stevens over the coming year.

Administration

The Team overseeing the administration of scheme benefits and systems development have continued to provide support and guidance to members throughout the pandemic alongside preparing for the impact of several large-scale legislative changes. The PSB recognise the significant impact this will have on staff resources over the medium term and are supportive of the Fund appropriately resourcing to ensure that it is able to continue to fulfil its statutory duties.

The Fund continues to progress its digital aspiration with the continued roll out of its web-based online portal tool with the implementation of a new look Employer Online, enabling employers to review and update staff member details. Initial take up has been encouraging with a third of employers currently utilising the system with more joining every month. Despite the challenges this year has brought this has not stopped the Fund being able to deliver the full range of services to over 172,000 Fund members and paying its 44,000 pensioners.

Communications

Digital communications continue to be progressed. A review of all the Fund's communications and use of media has been undertaken to ensure it continues to be fit for purpose and is able to adapt to our future stakeholder's needs. With this the development of webinar training and the introduction of virtual pension surgeries has enabled the customer facing areas of the Pensions Team to continue to deliver the right service to the right people at the right time.

In addition, the PSB delegated a review of the Fund's Annual Surveys to the PAB which saw the formation of a Task and Finish Group. The PAB reported the work of the Group to the PSB at their March 2021 meeting concluding that the Group's consensus was that the Fund should move to a more targeted approach with surveys being shorter and sent using various methods. This recommendation was subsequently accepted by the PSB.

Other areas considered were:

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Funding

- Actuarial Interim Review;
- Employer Updates;
- Development of new policies to assist Employers;
- Retail Index Price (RPI) Reform; and
- Fund Actuary Contractual Arrangements.

Investments

- Reports on the work of the ISC;
- Work reported through the ISC includes:
 - Treasury Management Strategy;
 - Investment Strategy Statement and Responsible Investment;
- Procurements:
 - Independent Investment Adviser;
 - Global Custody;
 - Institutional Investment Consultant; and
 - Direct Lending;
- Capital Markets Outlook;
- Covid-19 Impacts on the Market Economies and the Fund;
- Financial Reporting Council (FRC) UK Stewardship Code 2020;
- Strategy Implementation Tracker;
- Structural Reform of the LGPS – Pooling Quarterly Update of ACCESS Joint Committee (AJC);
- Baillie Gifford Equity Portfolio Rebalancing;
- Asset Liability Study;
- Traffic Light Ratings Report; and
- Competition and Markets Authority (CMA) Objectives.

Governance

- External Audit Programme of Work;
- Reports from Internal Audit regarding the control environment of the Fund and Administration;
- Governance Review and Effectiveness Survey;
- Annual Accounts;
- PSB Member Representatives;
- PAB Review of the Fund's Business Continuity Arrangements;
- Fund Policies:
 - Recording and Reporting Breaches of the law;
 - Risk Strategy;
 - Business Continuity Policy;
 - Governance Policy and Compliance Statement; and
 - Knowledge and Skills Strategy;
- PAB Representatives Recruitment; and
- Pension Fund Activity Updates:
 - Business Plan
 - Risk Register; and
 - Scorecard.

Administration and Communications

- LGPS Regulatory Reform, including:
 - McCloud;
 - Goodwin;
 - Unpausing of Cost Cap; and
 - 95K Cap;
- PAB Review of the Fund's Annual Surveys;
- Government Consultations, including:
 - Restricting Exit Payments in the Public Sector;
 - Implementation of Regulations (95K Cap); and
 - McCloud.

5. 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. In addition, the PAB are required by the Public Service Pensions Act 2013 to have an appropriate level of knowledge and understanding in order to carry out their role.

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 delivered in a multitude of ways that Fund Officers adapt to suit each Member's preference. In addition, all Boards/Committee Members were invited to attend a Training Day during November 2020 and a specific Responsible Investment Workshop was held with all ISC Members during February 2021.

A Training Needs Analysis is in the process of being carried out with each Member of the Boards/Committee.

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Cllr Susan Barker

Chairman of the PSB and of the ISC

Vice Chairman of ACCESS Joint Committee

Essex County Council