

Essex Pension Fund Strategy Board	PSB 13
Date: 07 July 2021	

Governance Effectiveness Review

Report by the Independent Governance and Administration Adviser (IGAA)
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1. Purpose of the Report

- 1.1 To provide the Board with the key findings and recommendations from the review of the effectiveness of the Fund's governance arrangements which has been undertaken by the Fund's IGAA.

2. Recommendations

- 2.1 That the Board note the contents of the report and the attached summary of the Governance Effectiveness Review.

3. Overview

3.1 The IGAA was asked to review the effectiveness of the Fund's Governance Arrangements and to recommend any potential areas of improvement. In doing this the IGAA considered the following areas which are the key elements of Aon's Governance Framework:

- Direction – does the Fund have clear Strategies and Policies that meet Legislative requirements and Best Practice;
- Delivery – does the Fund have a clear plan for implementing its Strategies and appropriate monitoring of whether they are being achieved and is there good Risk Management to ensure effective and efficient delivery;
- Decisions – does the Fund have an appropriate Governance Structure with the right people, with the right attitude and appropriate knowledge and skills.

3.2 A detailed report has been provided to Officers and a summary of the findings has been prepared for the Board (at Appendix A). The overall conclusion is that the Fund's Governance is Excellent, reflecting Best Practice in many areas. This was backed up by the results of effectiveness questionnaires completed by Essex Pension Fund Strategy Board (PSB) Members which, taken as a whole, were tremendously positive. The majority also stated that the effectiveness of Governance of the Fund has either improved or stayed the same in the last two years despite the COVID-19 pandemic. In addition, the overwhelming view of the Essex Pension Fund Advisory Board (PAB) (based on discussions at their March 2021 meeting) was that there was a high quality of Governance at the PSB and Investment Steering Committee (ISC).

3.3 The Review also acknowledged the ongoing challenges the Fund will face both in the short term and in the longer term, noting that in addition to the three evolving areas likely to impact Governance (SAB's Good Governance Project, The Pensions Regulator's (TPR) New Code, and CIPFA's Knowledge and Skills Code and Framework), there are other critical projects expected in the next three years, including implementation of the McCloud Remedy, the evolution of Responsible Investment Policies (including expected Task Force on Climate related Financial Disclosures (TCFD) requirements) and the implementation of the National Pensions Dashboard.

4. Risk Implications

- 4.1 A review of the Effectiveness of the Fund's Governance is particularly important given the Fund's key risks are managed as part of the Governance Arrangements. Further, appropriate Risk Management is a key element of those Governance Arrangements.

5. Communication Implications

- 5.1 None directly relating to this report.

6. Finance and Resource Implications

- 6.1 None directly relating to this report.