

Essex Pension Fund Strategy Board

10:00

Wednesday, 15
December 2021

Committee Room
1
County Hall,
Chelmsford, CM1
1QH

For information about the meeting please ask for:

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Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

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.

10 Employer Update

 Information relating to the financial or business affairs of any particular person (including the authority holding that information);

11 Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Essex Pension Fund Strategy Board	PSB 01
Date: 15 December 2021	

Essex Pension Fund Strategy Board (PSB) Membership, Apologies and Declarations of Interest

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

This Report is for noting

Executive Summary

No Membership changes since the last meeting.

Officers are not aware of any apologies for the meeting at the time of writing, however, have been notified by Cllr Barker, Cllr Platt and Cllr Goggin that they have a change to their declarations of interests.

1. Purpose of the Report

1.1 To present Membership, Apologies and Declarations of Interest for the 15 December 2021 PSB.

2. Recommendation

- 2.1 That the Board should note:
 - Membership as shown overleaf;
 - Apologies and substitutions; and
 - Declarations of Interest to be made by Members in accordance with the Members' Code of Conduct and the Essex Pension Fund's Conflict of Interest Policy.

3. Membership

(Quorum: 4)

11 members consisting of:

- seven Members of the Council;
- one Member representing District, City and Borough Councils in Essex;
- one Member representing Unitary Councils in Essex;
- one Member representing Scheme Members nominated by Unison; and
- one Member representing Other Employing Bodies nominated by the Employer Forum.

Membership	Representing
Councillor S Barker	Essex County Council (Chairman)
Councillor M Platt	Essex County Council (Vice Chairman)
Councillor A Goggin	Essex County Council
Councillor A Hedley	Essex County Council
Councillor M Hoy	Essex County Council
Councillor D King	Essex County Council
Councillor C Souter	Essex County Council
Councillor M Dent	Southend-on-Sea Borough Council
Rachel Hadley	Other Employing Bodies
Councillor C Riley	Castle Point Borough Council
Sandra Child	Scheme Members

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held in Committee Room 1 at 10:00am on 22 September 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 Goggin Cllr A Hedley Cllr D King Cllr C Souter

District/Borough Councils in Essex Representatives

Cllr M Dent Southend-on-Sea Borough Council (arrived

10:05am)

Cllr C Riley Castle Point Borough Council

Scheme Member Representative

Sandra Child (UNISON)

Other Employing Bodies Representative

Rachel Hadley Chelmer Housing Partnership

Cllr M Durham, Substitute Member, attended the meeting via Zoom as an Observer.

The following Officers and Advisers were also present in support of the meeting:

Jody Evans Director for Essex Pension Fund

Samantha Andrews Investment Manager
Sara Maxey Employer Manager
Amanda Crawford Compliance Manager
Helen Pennock Compliance Analyst

The following Officers and Advisers were present remotely via Zoom:

Daniel Chessell Retirement Manager

Karen McWilliam Independent Governance & Administration Adviser

(IGAA), Aon

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

James Durrant Employer 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 and proposed to the Board that there would be a change in the order of business with Agenda Item 5 to be taken before Item 4.

Apologies for Absence

It was noted that Cllr M Hoy was unable to attend the meeting. In addition, PAB Members, Cllr J Duffin and Debs Hurst also sent their apologies.

Declarations of Interest

Declarations were received from:

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

Cllr M Platt declared that his daughter is in receipt of a LGPS Pension, in addition is a Deputy Cabinet Member and is Vice Chairman of the Audit, Governance and Standards Committee:

Cllr A Goggin declared that his wife, sister and brother-in-law were 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 both in receipt of an Essex LGPS pension.

Resolved:

The Board noted the report.

2. Minutes of PSB meeting held on 07 July 2021

The Minutes of the meeting of the PSB held on 07 July 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:

- James Durrant's (PAB Employer Representative) Employer title had been confirmed as Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (Essex PFCC FRA);
- the National Fraud Initiative (NFI) Case Study in regard to the process undertaken by the Fund identifying a fraudulent recipient was issued to PSB Members on 12 August 2021;
- a note from the Chairman of the PSB highlighting the concerns and impacts regarding the delay of the BDO LLP External Audit was issued to the Chairman of the Audit, Governance and Standards Committee on 11 August 2021 and that a verbal update would be provided at Agenda Item 5;
- the draft Accounts were provided to External Audit by the deadline of 31 July 2021;
- the deadline for applications for the vacant Scheme Member position on the PAB was 17 September 2021. Officers would provide a verbal update at Agenda Item 6b;
- an update in regard to Members' Training and the Two-Year Training Plans would be provided at Agenda Item 3;
- two consultations were approved by the PSB through the Out of Committee process in August 2021 and the Final Responses were provided at Agenda Item 8 for noting; and
- an Out of Committee paper was issued to the PSB in August 2021 to agree the appointment of the Fund's Printing and Posting Supplier and the outcome has been provided at Agenda Item 7.

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

3. Outcome of Individual Training Needs Analysis (TNA) and proposal for Online Training

The Compliance Manager provided the Board with the Two-Year Training Plans for the PSB/Investment Steering Committee (ISC) and PAB which had been developed following the outcome of individual TNA meetings held with the Director for Essex Pension Fund and Investment Manager. It was noted

that the PAB Training Plan would also be presented to the PAB at their meeting that afternoon.

It was also confirmed that Members should now be in receipt of their Individual Training Plans.

The Compliance Manager took Members through the content of their Individual Training Plans and informed Members that all Training Plans would be updated periodically.

Members were also advised that they would be provided with a training session on the 'Wider LGPS' (Ref No 3 of the Training Plan) at Agenda Item 9 and that after the meeting a YouTube training video would be circulated to all Members in regard to the Fund's Policy on Recording and Reporting Breaches of the law (Ref No 8 of the Training Plan).

In response to Members' request to have optionality with their training, Hymans Robertson were invited to present a demonstration to the Board of their LGPS Online Learning Academy (LOLA).

In addition, it was highlighted that following Members feedback via their TNA meetings Executive Summaries were now added to all Reports. The Board welcomed the approach.

Resolved:

The Board agreed the Fund sign up to the Hymans Robertson LOLA.

The Board noted the outcome of the TNA's and the Two-Year PSB/ISC and PAB Training Plans.

5. External Audit Update

An update was provided by the Investment Manager outlining progress to date of the external audit.

As reported at the previous meeting BDO had pushed back the start of the audit with fieldwork eventually commencing in August. Despite the efforts of Officers to provide timely responses to the queries, BDO had found it increasingly difficult to keep to the timetable specified in their Audit Planning Report sighting delays in the sign off of NHS audits having a dramatic impact in their ability to meet the deadline.

It was noted that BDO had formally written to the Audit, Governance and Standards Committee of which a copy was also shared with Members at the meeting. It confirmed that they would now not be in a position to provide the Fund's Audit Completion Report and their opinion by the statutory deadline of 30 September 2021. The revised proposal was to have substantially

completed their testing by the end of October and for their sign off by the middle of November.

Officers alerted the Board to a further potential issue in regard to a new International Standard for Auditing (ISA540) that BDO were required to adhere to, which if it transpired that further testing was required to gain additional assurance around the methods and models used in calculating material accounting estimates, this would potentially put in jeopardy their ability to meet the revised deadline.

There was recognition that these were not isolated issues for BDO LLP but industry wide.

The Board once again discussed their disappointment and concerns noting the External Audit community were aware of ISA540 since March 2020. It was suggested that the Board monitor this issue closely and escalate further if necessary.

Resolved:

The Board noted the update.

4. Update on Pension Fund Activity: Quarterly Update Report

The Compliance Manager provided the Board with the Scorecard position as at 30 June 2021 and an update on progress in relation to the 2021/22 Business Plan and Budget, and Risk Register as at 31 August 2021.

Of the forty-five areas of activities highlighted in the Business Plan, the Board noted that thirteen of these had been completed.

It was also noted that the Fund was forecasting a 7% underspend against the agreed 2021/22 Budget.

In addition to the usual Scorecard exceptions report Members were also provided with the Full Scorecard as part of their annual review process. One notable movement from amber to green was in regard to the number of risks now at their target score.

It was emphasised that the issues raised with the delays in BDO completing the External Audit, would result in a red measure as at 30 September 2021.

It was also explained that the full Risk Register had been provided as part of the Board's annual review. It was confirmed that since the last meeting two risks had been reassessed, reduced back to their target score due to the Fund continuing to be able to carry out Business as Usual throughout the Covid-19 Pandemic and with the recent lifting of restrictions. No new risks had been identified since the last meeting.

Resolved:

The Board **reviewed** the full Scorecard and Risk Register as part of the Annual Review and **agreed** that these be shared with the PAB.

The Board noted the update on Pension Fund Activity.

6. Essex Pension Fund Advisory Board (PAB)

6a. 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 07 July 2021.

During that meeting, the PAB discussed the business of the PSB meeting of 07 July 2021 raising no concerns.

The main areas of business discussed were the:

- key areas within the PAB's Terms of Reference;
- PAB Annual Report and the agreement it be shared with the Scheme Advisory Board;
- outcome of the PAB TNA and draft Two-Year Training Plan; and
- interactive training session provided in regard to the Fund's Policy for Recording and Reporting Breaches of the law.

Resolved:

The Board noted the content of the report.

6b. Scheme Member and Independent Chairman Recruitment

The Board was provided with an update in regard to the Scheme Member recruitment. It was noted that three applications had been received by the closing date of 17 September 2021, with Fund Officers now assessing each candidate's suitability to enable interviews to be carried out by the Appointments Panel.

Members were also informed that the current term for the PAB Independent Chairman would cease in January 2022 and proposed the Appointments Panel be created to ensure the process and timetable detailed in the Report was adhered to, to ensure the new Chairman is in place for the March 2022 PAB meeting.

Resolved:

The Board agreed:

- the Appointments Panel be created to carry out the Independent Chairman recruitment; and
- the proposed timetable and process for this recruitment.

The Board noted:

- the update in regard the vacant Scheme Member position; and
- the content of the report.

7. Essex Pension Fund Printing and Posting Procurement

The Board were provided with the outcome of the recent Printing and Posting Tender which had been carried out in conjunction with Essex County Council's (ECC) Procurement Policy and Procedures.

During August 2021, the Out of Committee process was enacted with the Board agreeing to award the contract to the preferred bidder, Adare Sec Ltd to supply the Fund's Printing and Posting service.

Resolved:

The Board noted:

- the Out of Committee decision made during August 2021 to award the preferred bidder, Adare Sec Limited, a two-year contract with the option to extend for up to a further two years, subject to satisfactory performance; and
- the content of the report.

8. HM Treasury Consultation Responses

The Employer Manager reminded the Board that at their last meeting they were made aware of two upcoming HM Treasury consultations in regard to: Discount rate methodology; and Cost control mechanism.

Due to the timing of the Consultations, the Out of Committee process was enacted in August 2021 for the Fund's responses to be agreed by the Board. The final responses were provided at Appendices A and B of the report for noting.

Resolved:

The Board noted:

- the Out of Committee decision in August 2021 to approve the draft responses to the Discount rate methodology and Cost control mechanism Consultations;
- the Fund's final response to the Discount rate methodology Consultation;
- the Fund's final response to the Cost control mechanism Consultation;
 and
- the content of the report.

9. Bitesize Training: LGPS Landscape

The Independent Governance and Administration Adviser (IGAA) provided training to the Board in regard to the Wider LGPS Landscape which was an area identified within the TNA's (Ref Number 3).

It was confirmed that the training slides would be sent to Members following the meeting.

Resolved:

The Board undertook the Training in regard to the Wider LGPS Landscape.

10. Schedule of Future Meetings and Events

The Board received a report detailing the planned Board and Committee meeting dates for the remainder of this municipal year along with a reminder of the LGA three-day Fundamentals course that was due to commence in October. Members were requested to contact the Compliance Team at their earliest convenience should they wish to undertake this training.

Resolved:

The Board noted the content of the report.

11. Urgent Part I Business

There were none.

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. Employer Update

The Employer Manager provided the Board with an update in regard to the liquidations of two Employers confirming that the outstanding Employer and Employee contributions had now been received.

Members were also updated in regard to a third Employer who had gone into liquidation. It was noted that a claim had been filed with the liquidator and that an update would be brought to a future meeting.

The Board were also notified of an Employer who, under the Fund's new Employer Flexibilities Policy, had applied for a Deferred Debt Arrangement (DDA). It was noted that this would be for a term of ten years and a further update in regard to this would be brought to a future meeting.

Resolved:

The Board noted the content of the report.

13. Update on Aon Combination

The Board received a report from the IGAA in regard to the proposed combination with Willis Towers Watson which had subsequently been terminated.

Resolved:

The Board noted the information set out in the paper regarding the Aon Combination.

14. Urgent Exempt Business

Closing Remarks

The Board commended Fund Officers for all their efforts in providing good quality reports, which was supported by good engagement, involvement and depth of information throughout the meeting.

There being no further business, the meeting closed at 11:46am.

Chairman 15 December 2021

Essex Pension Fund Strategy Board	PSB 03
Date: 15 December 2021	

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

Report by the Director for Essex Pension Fund

Enquiries to Jody Evans 03330 138489

This Report is for noting

Executive Summary

The Fund is now in receipt of the draft Pension Fund Audit Completion Report where no significant issues have been highlighted and an unmodified audit opinion is anticipated. However, due to delays in finalising the Council's audit the intention is BDO will now present to the rescheduled Audit, Governance and Standards Committee (Audit Committee) meeting on 17 January 2022.

Fund Officers successfully published the Fund's Report and Accounts (R&A's) by the statutory deadline of 01 December 2021. However, due to the reasons stated above this was without the audit opinion.

1. Purpose of the Report

- 1.1 To present BDO LLP's draft Audit Completion Report which is due to be considered at the 17 January 2022 Audit Committee meeting.
- 1.2 To provide the Board with an update in relation to the Audit.

2. Recommendation

2.1 That the Board should note the content of the report.

3. Background

- 3.1 The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the National Audit Officer (NAO) Code of Audit Practice.
- 3.2 The Code of Practice requires BDO to report to those formally charged with governance on the work they have carried out to discharge their statutory audit responsibilities. To this end the Audit Committee has ultimate responsibility for the governance of Essex County Council.

4. 2020/21 External Audit

- 4.1 At its July meeting, the Board was provided with BDO LLP's 2020/21 Essex Pension Fund Audit Planning Report. In addition, it was explained that as per the prior year, deadlines in relation to the audit had been extended due to the continuation of pressures on Local Authorities throughout the Covid-19 pandemic.
- 4.2 The revised timetable highlighted to the Board was: the annual draft Accounts presented for external audit by 31 July 2021 (previously 31 May¹); for the Accounts to be audited and approved by the Audit Committee by 30 September 2021 (previously 31 July²); and for the publishing of the Fund's R&A's by 01 December 2021.

5. Accounts Closure & BDO External Audit Completion report

- 5.1 At the Board's 22 September 2021 meeting, a verbal update was provided in regard to the progress with the audit and it was confirmed that the Fund had successfully closed the Accounts in accordance with the Fund's year-end closure timetable and ECC's revised timetable and were presented to the auditors by the 31 July 2021 deadline.
- 5.2 Members were also advised that BDO commenced the external audit during August 2021 but had since written to the Audit Committee to confirm that they

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¹ 30 June 2020 for 2019/20 audit.

² 31 August 2020 for 2019/20 audit.

- would not be in a position to provide the Fund's Audit Completion Report and their opinion by the statutory deadline of 30 September 2021.
- 5.3 The revised proposal was to have substantially completed their testing by the end of October and for them to present their Audit Completion Reports for both the Council and Pension Fund audits to the 15 November 2021 Audit Committee Meeting. This, however, proved not to be possible and so in line with BDO's revised expectations for completing both audits it was agreed to reschedule the meeting to 13 December 2021.
- 5.4 However, whilst the Fund is now in receipt of BDO's draft Pension Fund Completion Report, provided at Appendix A, for the reasons noted in Appendix B, mainly around the status of the Council's audit, it has again, not been possible for BDO to finalise both audits in time to report their results to the Audit Committee on 13 December 2021.
- 5.5 It is, therefore, the intention to present the Audit Completion Reports for the Council and Pension Fund's financial statements to the Audit Committee on 17 January 2022 at which stage the Committee will be asked to approve the 2020/21 Statement of Accounts for publication.

6. Pension Fund Annual Report & Accounts 2020/21

6.1 For the reasons outlined in section 5, the Fund in order to comply with its statutory deadline of 01 December 2021 has published the draft R&A's 2020/21 without the External Audit Opinion. As and when the Fund are in receipt of the Audit Opinion the R&A's will be updated accordingly.

7. Link to Essex Pension Fund Objectives

- 7.1 Audit work assists the Fund in achieving a number of its objectives, including:
 - ensuring the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
 - act with integrity and be accountable to our stakeholders;

- understand and monitor risk and compliance; and
- provide a high-quality service whilst maintaining value for money.

8. Risk Implications

8.1 Audit work is a means of both identifying and mitigating risk.

9. Communication Implications

9.1 Other than ongoing reporting to the Board and ECC's Audit, Governance and Standards Committee, there are no communications implications.

10. Finance and Resources Implications

10.1 As highlighted in the Audit Completion Report, the charge to the Fund in 2020/21 will be £39,500 (2019/20: £40,250), of which £6,500 (2019/20: £12,250) will be recharged back to those employers in respect of assurance required for accounting purposes.

11. Background Papers

- 11.1 Essex Pension Fund, Audit Completion Report: Year ended 31 March 2021 (Appendix A).
- 11.2 BDO Status of the Audit and Reasons for the delay (Appendix B).
- 11.3 External Audit Update, PSB 05, 22 September 2021.
- 11.4 External Audit 2020/21: Audit Planning Report Year Ending 31 March 2021, PSB 07b, 07 July 2021.
- 11.5 The Local Government Pension Scheme (Administration) Regulations 2008.
- 11.6 The National Audit Office's Code of Audit Practice.







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WELCOME

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We have pleasure in presenting our Audit Completion Report to the Audit, Governance and Standards Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Audit, Governance and Standards Committee. At the completion stage of the audit it is essential that we engage with the Audit, Governance and Standards Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit, Governance and Standards Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

David Eagles, Partner for and on behalf of **BDO LLP**, Appointed Auditor

30 November 2021



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit, Governance and Standards Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the results of the audit of the financial statements for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work on the financial statements is substantially complete. Nothing has come to our attention from the work we have completed to date that would result in a modification of our audit opinion.

Outstanding matters are listed on page 34. in the appendices.

We presented our Audit Planning Report to the Audit, Governance and Standards Committee in March 2021. There have been no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements.

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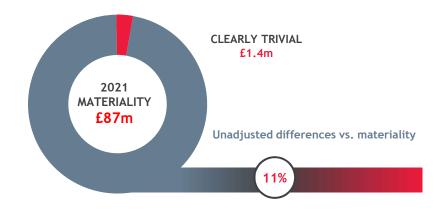
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Final materiality

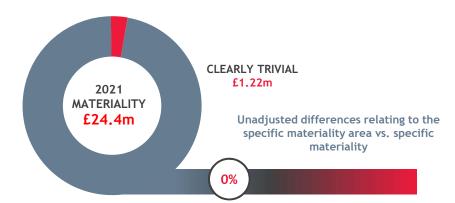
Financial material was determined based on 1% of net assets. Specific materiality (at a lower level) was set for the fund account balances (excluding changes in market value of investments) and this was based on 7.5% of gross expenses in the Fund Account.

Following the receipt of the draft financial statements for audit, we updated the material figures. This increased materiality from £84.7m to £87m. Specific materiality for the Fund Account was decreased from £24.6m to £24.4m to reflect actual gross expenditure recognised in the statement of accounts presented for audit. The percentage threshold applied remained at 7.5%.

FINANCIAL STATEMENTS MATERIALITY



FUND ACCOUNT MATERIALITY



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Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We identified one audit adjustment that, if posted, would reduce 'Net decrease in the assets available for benefits during the year' in the Fund Account and increase 'Net assets of the scheme available to fund benefits' in the Net Asset Statement by £9.529 million.

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Financial reporting

- We have not identified any non-compliance with accounting policies or the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- No significant accounting policy changes have been identified impacting the current year
- Going concern disclosures are deemed sufficient
- The Annual Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

- Control deficiency identified in relation to logical access controls over the UPM and Oracle IT applications (see page 21)
- Confirmation on fraud, contingent liabilities and subsequent events
- Letter of representation (see page 35)

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



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As identified in our Audit Planning Report dated 10 March 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	No
Valuation of investments (unquoted and direct property investments)	Significant	Yes	Yes	Yes, unadjusted	No	No
Pension Liability Valuation	Significant	Yes	Yes	No	No	No
Valuation of investments (pooled investments)	Normal	No	No	No	No	No
Contribution receivable	Normal	No	No	No	No	No





MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 notes that management is in a unique position to perpetrate fraud.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation; determined key risk characteristics to filter the population of journals; and used our IT team to assist with the journal extraction
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our work has not identified any evidence of systematic bias or management override in the processing of journal entries and other adjustments.

Material accounting estimates for the Pension Fund included valuation of investments and pension liability. Our audit work on these accounting estimates are set out in the following pages. The audit work performed provided reasonable assurance that the accounting estimates are reasonable and free from management bias

Our review of the unadjusted audit differences (see page 18) has not identified any evidence of management bias or deliberate misstatement.

We have not identified any unusual transactions or transactions that are outside the normal course of business.

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VALUATION OF INVESTMENTS (UNQUOTED AND DIRECT PROPERTY INVESTMENTS)

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The valuation of unquoted and direct property investments is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk

Normal risk

Significant management

judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Risk description

The investment portfolio includes unquoted private equity, debt, infrastructure and timberlands which are valued by the fund managers. The pension fund also makes direct investments in freehold and leasehold properties which are based on valuations received from the fund managers. The valuation of these assets may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to significance of these valuations, even a small change in assumptions and estimates could have a material impact on the financial statements.

In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. Due to current market volatility the valuation received can quickly become outdated.

As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and requested copies of the audited financial statements (and member allocations) from the fund:
- Reviewed the valuation completed by the fund manager and any significant assumptions made in the valuation;
- For property valuations, we agreed input data used by the valuer such as agreeing rental information to the underlying rental agreements, and reviewed the rental yields against the comparable data and indices for reasonableness;
- Where the financial statement date supporting the valuation was not conterminous with the pension fund's year end, we confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Ensured investments have been correctly valued in accordance with the relevant accounting policies.

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VALUATION OF INVESTMENTS (UNQUOTED AND DIRECT PROPERTY INVESTMENTS) 2

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Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Results and conclusions

Our review of the direct confirmations obtained from fund managers identified that the valuation of private eguity was understated by a non material amount of £9.529 million. This variance is due to some investment reports used during the preparation of the financial statements not being coterminous with the pension fund's year-end. Management were therefore required to estimate the value of the affected investments. More recent valuations for these investments were available during our audit and, when compared to the amount recognised in the Net Assets Statement, identified the above variance against the estimates used. The variance identified is included within the uncorrected misstatements schedule (see page 18) for the impact of change in market value in the Fund Account and investment value in the Net Assets Statement.

For investments in private equity, illiquid debt, infrastructure and timberlands, we obtained audited financial statements of the underlying investee funds, and valuations were recalculated by adjusting the additional contributions and distributions where relevant. Given the extended period to prepare financial statements during the year, net asset statements at 31 March 2021 were available for the investment in illiquid debt, infrastructure and timberland. Our recalculations of valuations for these investment categories did not identify any variances outside of our threshold.

In respect of private equity, we reviewed a sample of audited financial statements of the underlying investee funds. Our recalculations of valuations for these investment categories did not identify any variances outside of our threshold.

The direct investment properties held by the pension fund have been valued by an external professional valuer. We are satisfied with the skills and expertise of the valuer and concluded that we can rely on them in their capacity as management's expert. Our review of the input used by the valuer (i.e. rental information) confirmed that they are accurate and reasonable.

The overall valuation of investment properties has increased by approximately 1.2% during the year to £406m. The MSCI sector capital value index has changed for the following sectors:

- Industrial 9.3% increase
- Offices 5.2% decrease
- Warehouses and shops 13.2% decrease

Given the above movements and the weighting of property types held by the pension fund, the increase in investment property valuations of 1.2% is consistent with our expectations and is within our materiality of £87m. We are therefore satisfied that the valuation of direct properties held by the Pension Fund is reasonable.

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Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Risk description

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability at 31 March 2021 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation disclosed in the notes to the Pension Fund accounts is not based on appropriate membership data (where there are any significant changes) or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- Tested a sample of transfers and cash flow data sent to the actuary for existence and accuracy;
- Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We used the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions;
- Checked whether any significant changes in membership data have been communicated to the actuary; and
- Agreed the disclosure to the information provided by the actuary.

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PENSION LIABILITY VALUATION 2

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Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Results and conclusions

The Pension Fund has established controls and procedures to ensure completeness and accuracy of membership data provided to the actuary. Our review of the controls to ensure data provided to the actuary is complete and accurate did not identify any issues.

In respect of cash flow data provided to the actuary for the IAS 19 valuations, we identified no issues. However, testing of the cash flow data provided to the actuary for the roll forward valuation at 31 March 2021 identified some differences between the estimated contributions based on month 11 actual amounts plus one month of estimates and the actual amounts for the year, but we did not consider these to be significant differences that would materially impact on the liability valuation.

Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted on the following page. The annual data return template from the actuary included details of bulk transfers as these are estimated by the actuary. This data is subjected to data confirmation with individual employers to ensure that they are reasonable. We are therefore satisfied that any significant changes in membership data have been communicated to the actuary.

We agreed the disclosures in Note 3 to the pension fund financial statements to the information provided by the actuary and have identified no issues.

Following the ruling on age discrimination on the McCloud case and gender discrimination on a Lloyds case in the prior year, the actuary has made an allowance at the last accounting date and therefore was already included in the opening liability for this year. This allowance was therefore incorporated in the roll forward approach and the actuary has confirmed that this was re-measured 31 March 2021. The approach adopted by the actuary is considered reasonable.

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PENSION LIABILITY VALUATION 3

Continued

Significant accounting estimate: Pension Liability

Overview

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows.

Changes in 2020/21

The actuarial valuation of future benefits has increased by £2,730 million, from £9,259 million to £11,989 million.

Changes in assumptions that have increased the liability include a increase in CPI and future pension increases (from 1.90% to 2.80%) and a rise in salary increases (from 2.90% to 3.80%), which was partially offset by reduction to the discount rate (from 2.35% to 2%).

Mortality assumptions have not been changed significantly during the year, as such this has resulted in a decrease in the liabilities from these actuarial assumptions only by £105 million (1%). The liability has decreased by £126 million (1.2%) due to experience loss.

Discussion

The pension liability to pay future pensions has increased by £2,730 million to £11,989 million at 31 March 2021.

We compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary PwC.

	Actual	Expected / range	Comments
RPI increase	3.20%	3.15% - 3.35%	Reasonable
CPI increase	2.80%	2.80% - 2.85%	Reasonable
Salary increase	3.80%	3.80% - 3.85%	Reasonable
Pension increase	2.80%	2.80% - 2.85%	Reasonable
Discount rate	2.00%	1.95% - 2.05%	Reasonable
Mortality - LGPS:			
- Male current	21.6 years	20.5 - 23.1	Reasonable
- Female current	23.6 years	23.3 - 25.0	Reasonable
- Male retired	22.9 years	21.9 - 24.4	Reasonable
- Female retired	25.1 years	24.8 - 26.4	Reasonable
Commutation:			
- Pre 2008	50%	50%	Reasonable
- Post 2008	50%	50%	Reasonable

All the financial and mortality assumptions are within the expected range based on national data and therefore the assumptions are considered to be reasonable. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges. We have requested specific representations from management to confirm that the assumptions used reflect their understanding of the future expectations of the scheme (see letter of representation on page 35).

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There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Risk description

The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Custodian (Northern Trust). These valuation are reported on a monthly/ quarterly basis although there may be amendments to the 'flash' valuations initially provided and subsequent final valuations that may be received after the draft accounts have been prepared.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers including any subsequent final valuations to 'flash' valuations in the unaudited accounts;
- Ensured that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

Results and conclusion

The investment valuations included in the financial statements for pooled investments were agreed to the valuations provided by the fund managers with trivial variances.

We agreed that the investments have been correctly valued using the closing bid market price in line with the accounting policy.

We obtained independent assurance reports for each fund manager and the custodian and these did not reveal any issues with the effectiveness of controls operated by fund managers and custodian for valuations and existence of underlying investments in the funds. The assurance report for one of the fund managers was qualified in respect of IT system change management and logical access controls. Whilst we have not identified any control issues affecting the valuation and existence of investments managed by the fund manager in question, we agreed investments managed by the fund manager to independent market prices and confirmed that the valuations are accurate.

Where the assurance reports obtained were not coterminous with pension fund year end, we obtained bridging letters confirming the satisfactory operation of controls within the fund managers and the custodian to the 31 March 2021.

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There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

Significant risk	
Normal risk	
Significant management judgement	

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and checked that income is recognised in the correct accounting period where the employer is making payments in the following month; and
- Carried out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results and conclusions

We carried out analytical procedures to establish expected normal and deficit contributions to be receivable during the year. Our analytical procedures used the prior year amounts received and these were adjusted for the known and expected changes during the year such as the change in membership, contribution rates and the deficit contributions set out in the actuary report. This produced expected normal and deficit contributions which were within our tolerable threshold.

We also substantively tested normal contributions for active members by agreeing a sample of contributions to payroll records and to the employer returns received. For a sample of active members we recalculated the employee and employer contributions by the relevant rates and confirmed the accuracy of calculations. We identified no issues from the testing.

For deficit contributions, we agreed a sample to the Actuary's report and identified no issues. We also reviewed monthly contributions received from employers and confirmed that these have been recognised in the correct financial year.

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MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the Council (as administrating authority) and the Executive Director, Corporate Services have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 10 March 2021.

Laws and regulations

The most significant considerations for your organisation are the:

- Local Government Acts of 1972 and 2003
- Local Government Finance Acts of 1988, 1992 and 2012
- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015
- VAT legislation
- PAYE legislation.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify and significant matters in connection with related parties.

Service auditor reports

We reviewed the service auditor reports in respect of the following Pension Fund functions that are outsourced to, or hosted by, other bodies:

All investments are managed by Fund Managers

We reviewed all of the relevant service auditor control reports and identified some control reports with a number of exceptions during their control testing. We performed additional work for two of the service organizations to obtained additional assurance where the controls reports could not be relied upon,

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UNADJUSTED AUDIT DIFFERENCES: SUMMARY

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We are required to bring to your attention unadjusted differences and we request that you correct them.

We identified one audit adjustment that, if posted, would reduce the 'Net decrease in the assets available for benefits during the year' in the Fund Account and increase 'Net assets of the scheme available to fund benefits' in the Net Asset Statement by £9.529 million.

This audit adjustment is due to some private equity investment reports used during the preparation of the financial statements not being coterminous with the pension fund's year-end. Management were therefore required to estimate the value of the affected investments. More recent valuations for these investments were available during our audit and, when compared to the amount recognised in the Net Assets Statement, identified the above variance against the estimates used.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

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	F	und Account	Not Asso	4 - C4 - 4 4
	Fund Account		Net Assets Statement	
NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
(2,111,511)				
19,123	19,123			
				(19,123)
			9,529	
(9,529)		(9,529)		
9,594	19,123	(9,529)	9,529	-
(2,101,917)				
	£'000 (2,111,511) 19,123 (9,529) 9,594	£'000 £'000 (2,111,511) 19,123 19,123 (9,529) 9,594 19,123	£'000 £'000 £'000 (2,111,511) 19,123 19,123 (9,529) 9,594 19,123 (9,529)	£'000 £'000 £'000 £'000 £'000 (2,111,511) 19,123 19,123 9,529 (9,529) (9,529) 9,594 19,123 (9,529) 9,529

Further details relating to the impact of the brought forward adjustment of £19.123 million are included in our 2019-20 Audit Completion Report. This adjustment only affects the opening balance of investments at 1 April 2020 in the Net Asset Statement and has no impact on the value of investments at 31 March 2021. However, this adjustment does affect the changes in market values of investments (the overstatement of the opening investment balances means that the increase in market value recognised in the fund account is understated by the same amount).

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ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

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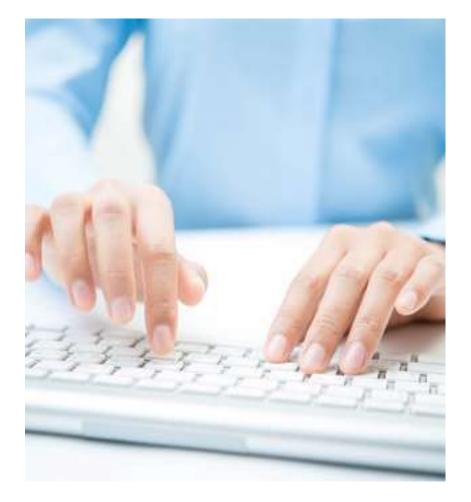
We are required to bring to your attention other financial reporting matters that the Audit, Governance and Standards Committee is required to consider.

The following two disclosure adjustments were made by management:

- The removal of the £32.3m net transfer recognised on the UBS investments and recognition of an additional £32.3m in purchases for 'Equities - Unit life assurance policies' in note 12.2.
- The reduction in the sales and purchases recognised for 'Property unit Trusts' of £2.65m.

The above adjustments have no impact on the closing value of the associated investments.

A number of other minor disclosure corrections and enhancements were made to improve the clarity of the financial statements.



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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge.

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As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response	
Oracle IT system	Upon review of the privileged accounts for Oracle across both the Council and	Assign administrative privileges to an independent individual with no	User permissions will be reviewed as part of the move to Oracle fusion.	
	Pension Fund, we identified one individual in the Council with administration level access when their job role (which involved processing and monitoring of transactions) did not require it.	transaction processing or monitoring role.	The Council agrees that no user should have both administration level access and transactional level access and confirms that the permissions granted to the individual identified will be amended.	
	There is an inherent segregation of duties risk when an individual has administrative access rights to a system as well as a transaction processing / monitoring role on that system.			
Oracle & UPM IT system	There has not been any proactive monitoring of the login activities performed by privileged users during 2020/21.	Implement audit logging that records activity performed by administrative accounts at application and database level.	For Oracle we will need to investigate this further with the suppliers. The Council is of the view that it would be best practice to audit such activity where	
	There is an inherent risk that without independent monitoring, the appropriateness of system administrative activity is dependent on the motivation of the individual. There is a greater risk that unauthorised transaction activity is performed and not detected page 41 of	Administrator activity should be independently monitored, investigated as appropriate and formally signed off by an independent reviewer.	feasible. UPM - A report will be run regularly to monitor access usage for privileged users. In addition, a process will be developed with the Fund's Compliance Manager to ensure oversight arrangements.	

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Irregularities, including fraud

Our report will contain an explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit, Governance and Standards Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council.

We also confirm that we have obtained confirmation of independence from external audit experts involved in the audit and that they comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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Fees summary	2020/21	2020/21	2019/20
	Actual	Planned	Actual
	£	£	£
Fees			
Code audit fee ⁽¹⁾	£28,000	£28,000	£28,000
Additional fee for IAS19 assurance requests from scheduled bodies ⁽²⁾	£6,500	£6,500	£12,250
Additional audit fee: Covid-19 remote working $^{(3)}$	£5,000	£5,000	£0
Total fees	£39,500	£39,500	£40,250

(1) The Code fee remains the PSAA Scale plus the £3,925 added from 2019/20 reflecting the increased expectations relating to the work necessary to audit the judgemental components of the pension fund.

(2) Assurance fees

The 2019/20 audit included cyclical costs relating to the audit of the 2019 triennial actuarial data cleansing exercise. These should not be necessary again until the 2022/23 audit.

(3) Covid-related costs

This represents an estimate of the additional resource time and costs necessary when audits are undertaken remotely. The 15% is at the lowest end of the 15-20% range experienced by BDO and the other audit firms. If we are able to undertake some key work on site, the time reflected here should reduce and the fee level decrease accordingly.



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RESTORING TRUST IN AUDIT AND CORPORATE GOVERNANCE

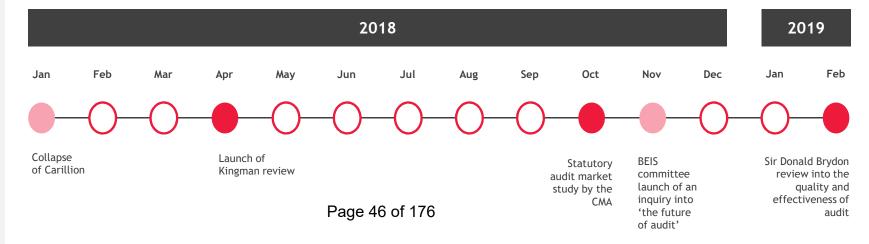
BEIS consultation issued March 2021

The collapse of Carillion at the beginning of 2018 precipitated a root and branch review of how the audit market works with three main components, all reporting to the Secretary of State for Business Energy and Industrial Strategy. The latest BEIS consultation as published in March 21 outlines proposals to increase choice and quality in the audit market, establish clearer responsibilities for the detection and prevention of fraud, and ensure the audit product and audit profession are fit for the future. The consultation aims to present measures that balance the need for meaningful reform with proportionate impacts on business, both now and for the future. The next pages aim to summarise the key areas of the consultation but for more information please refer to the consultation directly.

Although the consultation only closed in July 2021, changes have already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. At BDO we support the aims of operational separation of audit practices. Without being complacent we do not have a large consulting practice like some of our rivals and we have always run our audit business to be independently and sustainably profitable, therefore the main causes of concern that this seeks to address namely cultural contamination and cross subsidisation are less relevant for us. We do however recognise that the profession needs to restore the confidence of users and operational separation or ring fencing is an important step on that journey. We have drawn up plans for how we would implement this and are currently consulting with stakeholders. Whilst full compliance is not required until 2024 we are likely to implement a number of aspects particularly around governance and financial transparency by July 2021.

Whilst there is some uncertainty regarding the timeline post the close of the consultation it is our understanding that the implementation of the Audit, Reporting and Governance Authority (ARGA) is likely to be in 2023.

HISTORIC CONSULTATIONS TIMELINE



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BEIS CONSULTATION AT A GLANCE

Issued March 21

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Key Area of the BEIS consultation	Summary
1. Resetting the scope of regulation by	The government proposes two possible tests to extend the scope of PIES:
expanding the definition of Public Interest Entities to include large private companies and "large" AIM quoted companies.	To adopt the test used to identify companies already required to include a corporate Annual Governance Statement in their directors' report, or adopt a narrower test which incorporates the threshold for additional non-financial reporting requirements for existing PIEs. This would cover companies with both: Over 500 employees and a turnover of more than £500 million as their consolidated position.
	The Government is also proposing that any new definition of PIE should also include companies on the exchange-regulated AIM market with market capitalisations above €200m.
2. Increasing the accountability of directors	The consultation sets out a couple of options relating to directors accountability for internal controls and then indicates a tentative preferred option which would require a directors' statement about the effectiveness of the internal controls. Unlike the US's approach to internal controls which mandates external auditor attestation in most cases this option would leave the decision on whether the statement should be assured by an external auditor to the directors, audit committee and shareholders.
	This section of the consultation also includes proposals to require companies to report on their distributable reserves and for directors to be required to make a formal statement about the legality and affordability of proposed dividends.
3. New corporate reporting requirements	Introducing a requirement for PIEs to produce an annual Resilience Statement. This new statement consolidates and builds upon the existing going concern and viability statements and would apply initially to Premium Listed companies.
	Introducing an Audit and Assurance Policy where directors have to describe their approach to seeking assurance. For publicly quoted entities, this would be subject to an advisory shareholder vote at the time of its publication,
4. Strengthening the supervision of corporate reporting	Giving the Audit, Reporting and Governance Authority (ARGA) (which replaces the Financial Reporting Council) more power to direct changes to company reports and accounts.
	Creating increased transparency for the Corporate Reporting Review (CRR) process and an extension of the CRR pro ক্ষুপ্ৰ কৈ পূৰ্ব কি বিশ্ব প্ৰতিহিন্দৰ কৰি annual report and accounts.
	The Government proposes to broaden the regulator's review powers so that it can scrutinise the entire contents of a company's Annual Report and Accounts.

BEIS CONSULTATION AT A GLANCE 2

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Key Area of the BEIS consultation	Summary
5. Provisions concerning company directors	Giving the regulator investigation and enforcement powers in relation to wrongdoing by all directors of Public Interest Entities. Due to the principles of collective responsibility and a unitary board, all directors of Public Interest Entities would be in scope.
	Strengthening malus and clawback provisions within executive director remuneration.
6. Changes to audit purpose and scope	The Government will seek to introduce a regulatory framework to cover both audits of financial statements (statutory audit) and other types of information which companies decide to have audited through the Audit and Assurance Policy process. It also proposes to legislate to require directors of Public Interest Entities to report on the steps they have taken to prevent and detect material fraud.
7. Changes to audit committee oversight and engagement with shareholders	ARGA to establish a standards and supervision regime. ARGA will write the standards by which Audit Committees will need to operate and they will monitor compliance against these standards. Initially this will only apply to FTSE 350 Audit Committees.
	Additional requirements for audit committees in the appointment and oversight of auditors, which is intended to ensure the committee acts effectively as an independent body responsible for safeguarding the interests of shareholders.
	Increased engagement between a company and its shareholders. The Government agrees with Brydon's recommendation that the audit committee's annual report should set out which shareholder suggestions put forward for consideration had been accepted or rejected by the auditor.
8. Improved competition, choice and	The implementation of a managed shared audit regime for companies audited by the Big Four.
resilience in the audit market	The operational separation of certain accountancy firms.
	Statutory powers for the regulator to monitor the resilience of the audit market.
9. Greater supervision of audit quality	Making the regulator responsible for approving the auditors of PIEs and improving the transparency of Audit Quality Review reports by allowing AQR reports on individual audits to be published without consent.
10. A new and strengthened regulator; the Audit, Reporting and Governance Authority	The regulator will be given the power to make rules requiring market participants to pay a levy to meet the regulator's costs of carrying out its regulatory functions.
11. Additional changes to the regulator's responsibilities	Page 48 of 176 The regulator will have the power to require an expert review where it has identified significant concern regarding a PIEs corporate reporting and auditing.

FRC ETHICAL STANDARD

Issued in December 2019

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In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitionary provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact				
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.				
Extra-territorial impact	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.				
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.				
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.				
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.				
Non-audit services to a public interest entity (PIE)	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.				
Other entities of public interest ('OEPI')	OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an SME listed entity - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: - Have more than 2000 employees; and / or - Have a turnover Pager 49 haf £266 million and a balance sheet total of more than £2 billion.				
	The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.				

FRC PRACTICE AID FOR AUDIT COMMITTEES

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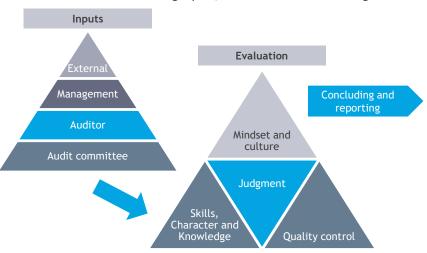
Audit quality

The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the FRC website. In their practice aid the FRC note: 'The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.'

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding



- Transparency reporting to the Board on how the audit committee has discharged these responsibilities
- · Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the FRC website

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to officers of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.



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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance (TCWG) are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	10 March 2021	Audit, Governance and Standards Committee
Audit progress report	At the Audit, Governance and Standards Committee meetings	Audit, Governance and Standards Committee
Audit Completion Report	13 December 2021	Audit, Governance and Standards Committee

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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021. The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit, Governance and Standards Committee meeting at which this report is considered:

- Completion of related party procedures
- Completion of partner, manager and quality control review of the audit file and clearance of review points
- Clearance of points arising from the technical review of the unaudited statement of accounts
- Review of final version of statement of accounts to ensure arithmetical accuracy, internal consistency and that agreed disclosure amendments have been correctly processed
- Subsequent events review
- Management letter of representation, as attached in Appendix D to be approved and signed.



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LETTER OF REPRESENTATION

Essex Pension Fund/address
To be printed on letter headed paper

BDO LLP 16 The Havens Ransomes Europark Ipswich IP3 9SJ

Dear Sirs

Financial statements of Essex Pension Fund for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Executive Director, Corporate Services has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2021 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been properly reflected and available to you.

Going concern

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

Other than those disclosed in the financial statements, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 15 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and 176 Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged. The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- RPI increase 3.20%
- CPI increase 2.80%
- Salary increase 3.80%
- Pension increase 2.80%
- Discount rate 2.00%
- Mortality: Current pensioners male 21.6 years and female 23.6 years /

future pensioners - male 22.9 years and female 25.1 years

• Commutation: pre-April 2008 - 50% / post-April 2008 - 50%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19 and IAS 26.

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Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Nicole Wood Executive Director, Corporate Services

Date:

Cllr Anthony Michael Hedley Chair of the Audit, Governance and Standards Committee

Date:

AUDIT QUALITY

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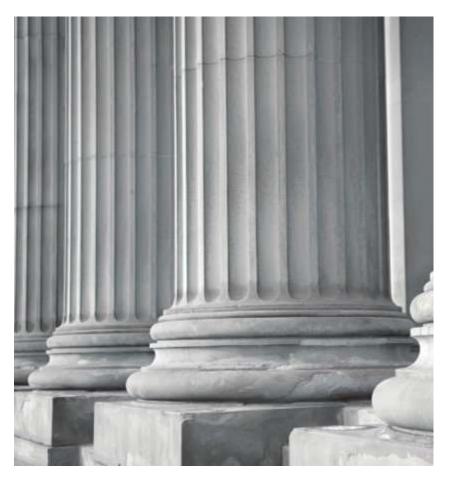
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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

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FOR MORE INFORMATION:

David Eagles, Partner

m +44 (0) 7967 203431 e: David.Eagles@bdo.co.uk The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the audited body and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Status of the audit, and the reasons for the further delay.

On 1 December 2021 it was necessary to take the decision to defer presentation of the Council's Statement of Accounts for final approval, along with the Audit Completion Reports for the Council and Group and also the Pension Fund.

The two key components of this decision are:

- The point at which no further adjustments to the Statement of Accounts (other than minor edits of narrative) had not been reached. Delayed technical review findings had only been received on 30 November 2021 and the Chief Accountant did not then have sufficient time to work through the matters arising before the Committee papers circulation deadline at the end of 1 December 2021.
- Whilst the Audit Completion Report for the Pension Fund was issued in draft for discussion in accordance with the agreed timetable and was finalised in time for Committee papers distribution, the Audit Completion Report for the Council and Group was not and, at the point of drafting this update paper, was still not ready for issuing in draft for discussion and is therefore not finalised.

Technical review of the Statement of Accounts

The timing of this was later than originally planned partly due to Partner availability linked to Covid-delayed NHS audits and the impacts of implementing the new Code of Audit Practice approach to Use of Resources work and reporting, but also by technical team illness. Unfortunately, by the time it became clear that the illness was not short term, identification and scheduling of a replacement reviewer only allowed for this to be completed in week commencing 29 November 2021.

As noted above, because of the lateness of the review and that the matters arising were not all only relating to minor narrative issues, the Chief Accountant did not then have sufficient time to respond to all issues and make necessary changes to the Statement of Accounts by the deadline set for Committee papers distribution. However, as at the point of drafting of this update paper, good progress has been made in collating responses to the review points during 1 December 2021, with a feedback meeting to discuss full responses on all of the points on 2 December 2021. Consequently, we would expect an updated Statement of Accounts to be finalised by 13 December 2021, and we will provide the latest position statement to the Committee.

Audit Completion Report for the Council and Group

Completion of the ACR was linked to achieving a sufficiently concluded position on the technical review and on audit work on valuations and income/grants to enable a meaningful narrative to be drafted, rather than what would effectively have been a progress report. The timing of both aspects was such that we could not complete the draft and issue for comments to the timeline that would have enabled finalising by end of 1 December 2021. More detail on relevant audit progress is set out below.

Status of the audit

As at 2 December 2021, the following matters remain in progress. We will provide a further update as at 13 December 2021 to the Committee:

- Specific matters which still need to be completed/concluded on:
 - Completion of land/building/investment property valuation procedures and review of response to consultation with our valuations team (covering methodologies and assumptions).
 The remaining work is concluding (i.e. we are virtually complete) and finalising documentation, rather than primary testing.
 - Clearance of remaining queries on evidence we have been provided on income and specific revenue grants, which we expect to clear on 3 December 2021
 - $\circ~$ Receipt of documentation for a particular grant and enquiries of the legal team regarding contingencies and commitments
 - Receipt of third party confirmation of balances for one investment and one school bank account
 - o Completion of expenditure cut off testing for October 2021



- Review and completion procedures:
 - Completion of partner, manager and quality control review of the audit file and clearance of review points
 - Clearance of points arising from the technical review of the unaudited statement of accounts (as referred to above) and review of final version of statement of accounts to ensure arithmetical accuracy, internal consistency and that agreed disclosure amendments have been correctly processed
 - Subsequent events review
 - Receipt of Letter of Representation, as approved and signed post presentation of Audit Completion Reports to Committee

Misstatements

- No material misstatements identified to date
- One unadjusted misstatement of £9.7 million which affects the surplus on provision of services and has been agreed with the Council
- Two adjusted misstatements both classification issues in the top half of the balance sheet so no impact on bottom line

The summary of the above is that we are virtually complete on concluding fieldwork, but that the timing of this did not quite match the reporting and Committee papers distribution deadlines set.

Conclusion

The 2021 audit has been challenging to deliver, with issues including reduced interim work that we were able to deliver, illness, the longer-term impacts of Covid and remote working, and a continuance of the comparatively high level of assets valuations variances outside of tolerable variance parameters requiring further investigation. Council officers have, throughout, provided good quality working papers and support to the team.

We are, needless to say, immensely disappointed and frustrated to not be able to present our Audit Completion Reports and the outcome of the audits to the Committee on 13 December 2021 as agreed, recognising that this date was itself a deferral of the original timetable.

As noted above, we will provide a further update to the Committee on 13 December 2021, by which time we would expect the Statement of Accounts updates to be complete and therefore provide assurance to the Committee that there will be no further days in completing the audit.

David Eagles, Partner For and on behalf of **BDO LLP**, Appointed Auditor

2 December 2021

Essex Pension Fund Strategy Board	PSB 04
Date: 15 December 2021	

Update on Pension Fund Activity: Quarterly Update Report

Report by the Compliance Manager

Enquiries to Amanda Crawford 03330 321763

This Report is for noting

Executive Summary

The Quarterly Update Report is provided at Appendix A.

Business Plan – of 45 priorities, 20 activities have been completed for 2021/22 up to 30 November 2021.

Budget – as at 06 December 2021 the Fund is forecasting an underspend of 8%.

Scorecard – as at 30 September 2021, two improvements have been noted within the Exception Report relating to Administration Scorecard measures.

Risk – Fund Officers have re-evaluated two risks in relation to knowledge and expertise and reliance on Advisers. No new risks have been added.

1. Purpose of the Report

- 1.1 To provide the Board with the latest Pension Fund Activity Report on:
 - progress against 2021/22 Business Plan;
 - Budget;
 - Scorecard as at 30 September 2021; and
 - Risk Management.

^	Recommendations
-,	Pacammanastiane
Z .	Necommendations

2.1 That the Board note the latest Pension Fund Activity Report.

3. Latest Position

3.1 The latest Pension Fund Activity Report at Appendix A outlines progress to date against the Fund's 2021/22 Business Plan and Budget, Scorecard and Risk Management.

4. Key Developments to note

Business Plan

4.1 The Business Plan update can be found in Section A to this report. A summary of progress to date is shown in the table below:

Function	Total	Complete	In	Delayed	Not due	N/A
			Progress		to start	
Governance	12	6	4	0	2	0
		(5)	(5)	(0)	(2)	(0)
Funding	6	3	2	0	0	1
		(1)	(4)	(0)	(0)	(1)
Investments	13	5	6	0	2	0
		(2)	(7)	(0)	(4)	(0)
Admin	7	3	4	0	0	0
		(2)	(4)	(0)	(1)	(0)
Comms	7	3	4	0	0	0
		(3)	(4)	(0)	(0)	(0)
Total	45	20	20	0	4	1
		(13)	(24)	(0)	(7)	(1)

The numbers in brackets represents the progress reported at the 22 September 2021 meeting.

Budget

4.2 The 2021/22 Budget vs Forecast is shown in Section B to this report.

Scorecard

4.3 The Scorecard Exception report can be found at Section C to this report.

Risk Management

4.4 The Risk Management report has been provided at Section D to this report.

- 4.5 The Fund's Risk Register is monitored and updated on a regular basis as part of business as usual, with some key risks being reviewed more regularly due to the impact of the Covid-19 pandemic.
- 4.6 Two risk scores have changed since the last meeting in regard to the knowledge and expertise of the Fund's Advisers with the possibility of three Advisers reaching retirement within the next few years around the same time. The impact on the Fund would not only be a loss of extent knowledge and expertise but also the inability for Advisers to assist Senior Officers should the need arise.
- 4.7 No new risks have been identified during this period.

5. Link to Essex Pension Fund Objectives

- 5.1 Monitoring Pension Fund activity via the Business Plan, Risks and Scorecard assists the Fund in achieving all of its objectives, and in particular to:
 - provide a high-quality service whilst maintaining value for money;
 - understand and monitor risk and compliance; and
 - continually measure and monitor success against our objectives.

6. Risk Implications

6.1 Key risks are identified at Section C within the Risk Management section of the report.

7. Communication Implications

7.1 Other than ongoing reporting to the Board, there are no communication implications.

8. Finance and Resources Implications

8.1 To deliver the activities outlined in the Business Plan for 2021/22 a Budget of £5.65m has been approved which includes an operational internal budget of £3.83m and a budget allocation for third party provider support/advice of £1.82m. This will be periodically kept under review.

9. Background Papers

- 9.1 Update on Pension Fund Activity, PSB 04, 22 September 2021.
- 9.2 Update on Pension Fund Activity, PSB 06, 07 July 2021.
- 9.3 Update on Pension Fund Activity, PSB 03a, 17 March 2021.



Agenda Item 04

Contents:

Section A: Business Plan Progress Update

Section B: Budget vs Forecast Update

Section C: Scorecard Update

Section D: Risk Management

Essex Pension Fund

Section A

2021/22

Business Plan Progress Update

As at 30 November 2021

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Communications

Investments

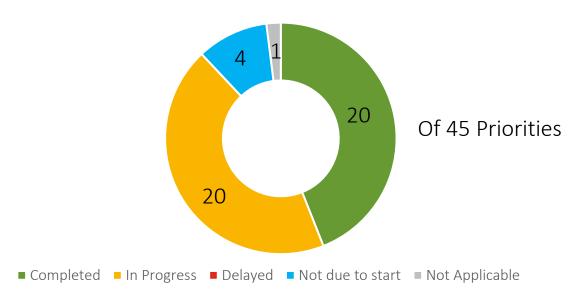
Administration

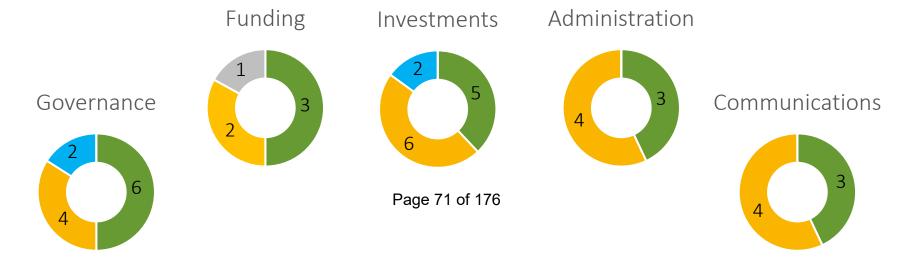
Governance

Funding

Strategic BAU & Key Priorities







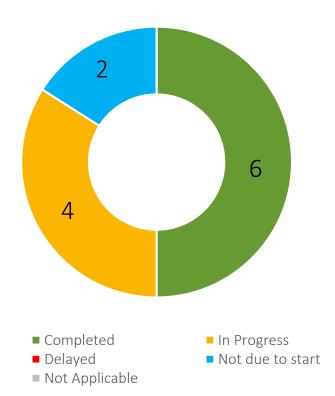
1. Progress - Governance

T. 1 Togicss - Governar			
Strategic BAU & Key Priorities	Р	С	
1. Agree 2022/23 Business Plan & Budget			
2. Annual Review of Terms of Reference for PSB/ISC/PAB			
3. Implementation of Members' knowledge and understanding – Knowledge & Skills Strategy			
4. Implementation of Members' knowledge and understanding – Training Plan and Training Needs Analysis			
5. Implementation of Business Continuity Policy			
6. Ongoing review of Business Continuity Plan (including Cyber Security) and Testing			
7. Annual Statement of Accounts including compliance with CIPFA requirements			
8. Development of Stakeholder Strategy			
9. Implementation of Governance Review and Effectiveness Survey			
10. LGPS Reform			
11. Commencement of AVC Review Page 72 of 176			
12. Independent Governance & Administration Adviser			

(IGAA) Contract Review



Strategic BAU & Key Priorities

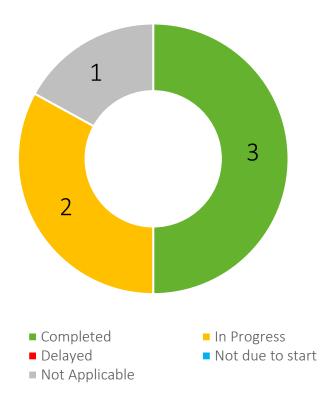


2. Progress - Funding



Strategic BAU & Key Priorities	Р	С
1. Update Funding Strategy Statement (including Flexibilities Policies)		
2. Annual Interim Funding review		
3. Employing Authority discretions and delegations review		
4. Employer Risk review		
5. McCloud Preparation/Implementation		
6. Employer Training Webinars		

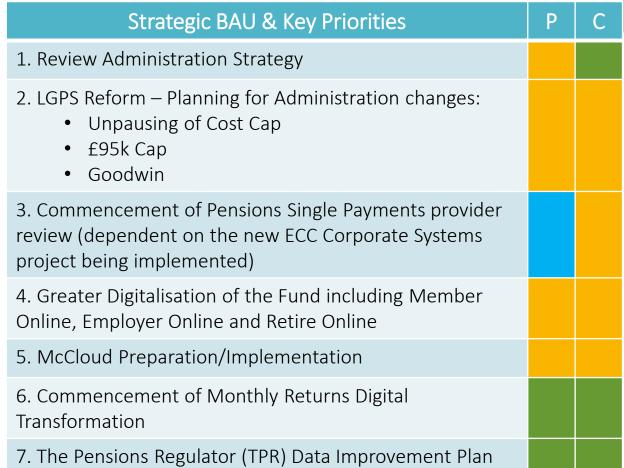
Strategic BAU & Key Priorities

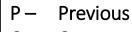


3. Progress - Investments

			P – Previous
Strategic BAU & Key Priorities	Р	С	C – Current
1. Develop/Implement Investment Managers Engagement Strategy			C CONTENT
2. 2022/23 Treasury Management Strategy review			
3. Strategic Asset Allocation review			Strategic BAU & Key Priorities
4. ACCESS collaboration			
5. Individual Manager review (on an exceptional basis)			2
6. Review of CEM Benchmarking / Cost Transparency			5
7. Development and Implementation to become Signatory of the Financial Reporting Council UK 2020 Stewardship Code			
8. Commencement of Annual Review of all investment managers' compliance with the Fund's RI and Stewardship Policy			6
9. Development of Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures)			
10. Implementation of Institutional Investment Consultant procurement			CompletedIn ProgressDelayedNot due to start
11. Institutional Investment Consultant – CMA review Page 74 of 176			■ Not Applicable
12. Implementation of Global Custody procurement			
13. Exploration of external RI Adviser			

4. Progress - Administration

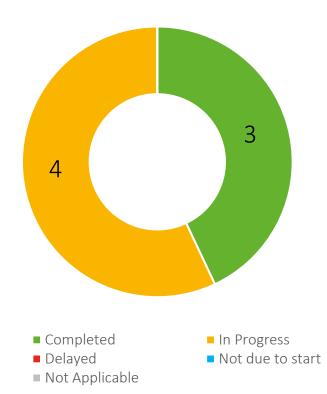








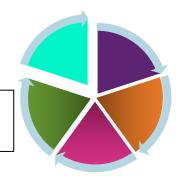
Strategic BAU & Key Priorities



5. Progress - Communications

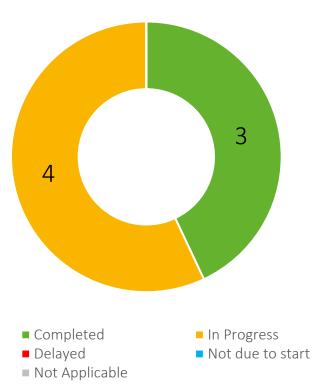
P – Previous

C – Current



Strategic BAU & Key Priorities	Р	С
1. Development of Stakeholder Strategy		
2. LGPS Reform:Unpausing of Cost Cap£95k CapGoodwin		
3. Greater Digitalisation of the Fund including the exploration of Electronic Communications		
4. McCloud Implications		
5. Implementation of Social Media Channel		
6. Commencement of the Website review		
7. Annual Benefit Statements review and development		

Strategic BAU & Key Priorities



Commentary Governance



Strategic BAU & Key Priorities

1. Agree 2022/23 Business Plan & Budget

2. Annual Review of Terms of Reference for PSB/ISC/PAB

3. Implementation of Members' knowledge and understanding – Knowledge & Skills Strategy

4. Implementation of Members' knowledge and understanding – Training Plan and Training Needs Analysis

5. Implementation of Business Continuity Policy

Page 77 of 176

Commentary

2021/22 Business Plan & Budget was agreed at the 17 March 2021 PSB meeting. The 2022/23 Business Plan & Budget process will commence in Q4 2021/22.

Complete.

Complete.

Complete. Fund Officers are now in the process of carrying out Training Needs Analysis one to one meetings with the newer Members of the Boards/Committee.

Complete.



Strategic BAU & Key **Priorities**

(including Cyber Security)

Ongoing. Further testing of the Plan is scheduled throughout the year.

Commentary

7. Annual Statement of Accounts including compliance with CIPFA requirements

6. Ongoing review of

and Testing

Business Continuity Plan

Delays with the External Audit has resulted in the Fund publishing Draft Annual Report & Accounts without an External Audit Opinion by the statutory deadline of 01 December 2021.

8. Development of Stakeholder Strategy Commenced during July 2021.

9. Implementation of Governance Review and **Effectiveness Survey**

Complete for PSB/ISC. The outcome of the PAB's Review will be discussed at the 15 December 2021 PAB meeting with a final report presented to the PSB at their 23 March 2022 meeting.

10. I GPS Reform

Ongoing.

11. Commencement of AVC Review

The outcome of this review will be reported at a future PSB meeting.

12. Independent Governance &

Page 78 of 176 Administration Adviser (IGAA) Contract Review Due to the ECC guidance regarding face to face meetings with only decision-making bodies attending County Hall, this Review has been rescheduled for Q4 2021/22.

Commentary 2. Funding



Strategic BAU & Key Priorities

- Update Funding Strategy
 Statement (including
 Flexibilities Policies)
- 2. Annual Interim Funding review
- 3. Employing Authority discretions and delegations review
- 4. Employer Risk review

5. McCloud Preparation/Implementation

Page 79 of 176 6. Employer Training Webinars

Commentary

Complete.

Complete. The outcome of the 2021 Annual Interim Funding has been provided as part of this Agenda Pack.

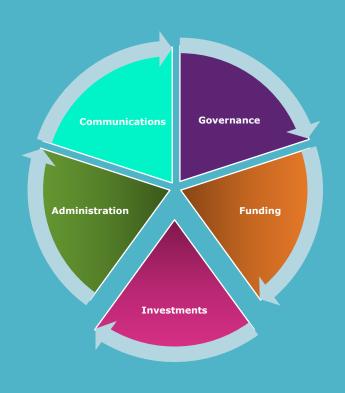
Periodically reviewed as and when required.

Complete. The outcome of the Employer Risk Review has been incorporated within the Annual Interim Funding Review and has been provided as part of this Agenda Pack.

Ongoing.

Ongoing.

Commentary 3. Investments

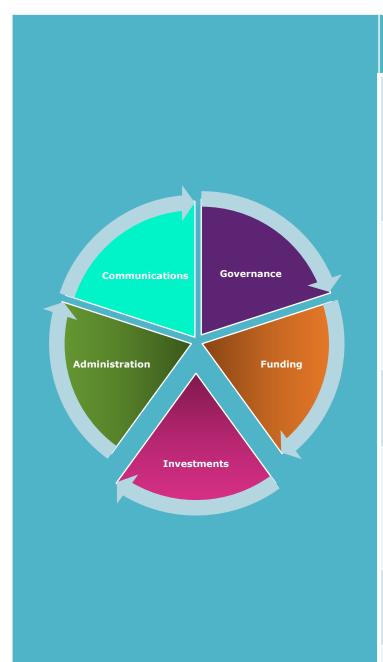


Strategic BAU & Key Priorities

- 1. Develop/Implement Investment Managers Engagement Strategy
- 2. 2022/23 Treasury Management Strategy review
- 3. Strategic Asset Allocation review
- 4. ACCESS collaboration
- 5. Individual Manager review (on an exceptional basis)
- 6. Review of CEM
 Benchmarking / Cost
 Transparency
- 7. Development and
 Implementation to become
 Signatory of the Financial
 Reporting Council UK 2020
 Page 80 of 176
 Stewardship Code

Commentary

- The RI Project Plan was agreed at 16 June 2021 ISC meeting which sets out a timetable for achieving key deliverables.
- Due in Q4 2021/22.
- Complete. The Strategic Asset
 Allocation review was reported to the
 ISC at their 29 November 2021
 meeting.
- Ongoing.
 - Routinely reported to ISC at each meeting.
- Complete. The outcome will be reported to a future ISC meeting.
- The RI Project Plan was agreed at 16 June 2021 ISC meeting which sets out a timetable for achieving key deliverables.



Strategic BAU & Key **Priorities**

8. Commencement of

investment managers'

compliance with the Fund's

RI and Stewardship Policy

Annual Review of all

The RI Project Plan was agreed at 16 June 2021 ISC meeting which sets out a timetable for achieving key deliverables. Currently the ISC have reviewed its Equity, Bond and Index Tracking mandates.

Commentary

9. Development of Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures)

The RI Project Plan was agreed at 16 June 2021 ISC meeting which sets out a timetable for achieving key deliverables. Climate Metric proposals were agreed at the 29 November 2021 ISC meeting.

Complete. The CMA review was carried

outcome will be reported to CMA in December 2021 and to the ISC at a their 23 February 2022 meeting.

out on 29 November 2021. The

10. Implementation of Institutional Investment Consultant procurement 11. Institutional Investment

Consultant – CMA review

Complete.

12. Implementation of Global Custody procurement

Complete.

Page 81 of 176

13. Exploration of external RI Adviser

Due Q4 2021/22.



Priorities 1. Review Administration Strategy

Strategic BAU & Key

for Administration changes: Unpausing of Cost Cap 95k Cap Goodwin

2. LGPS Reform – Planning

possible but not yet clear. 95k was revoked last year however a new consultation during 2021/22 is expected. Goodwin – waiting for DLUHC to issue guidance. BACS Cloud procurement is due to be implemented in Q4. This review has

Ongoing. Continuous development

and implementation throughout the

Commentary

Complete. The Draft Administration Strategy has been provided as part of

approval to consult with Employers.

Ongoing. Unpausing of Cost Cap -

Administration implications are

this Agenda Pack for the Board's

provider review 4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online

3. Commencement of

5. McCloud

Transformation

Plan

Pensions Single Payments

Preparation/Implementation 6. Commencement of

Ongoing. Continuous development throughout the year.

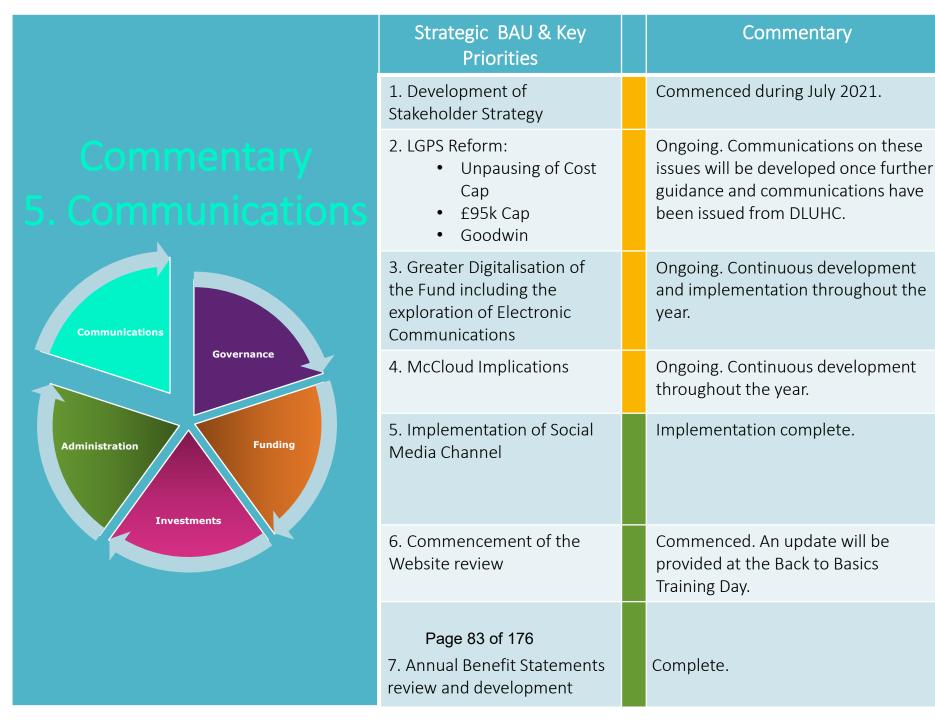
commenced.

year.

Complete.

Monthly Returns Digital Page 82 of 176 7. The Pensions Regulator

Complete. (TPR) Data Improvement



Essex Pension Fund

Section B

2021/22 Budget vs Current Forecast Q3 Update

Date produced: 06 December 2021

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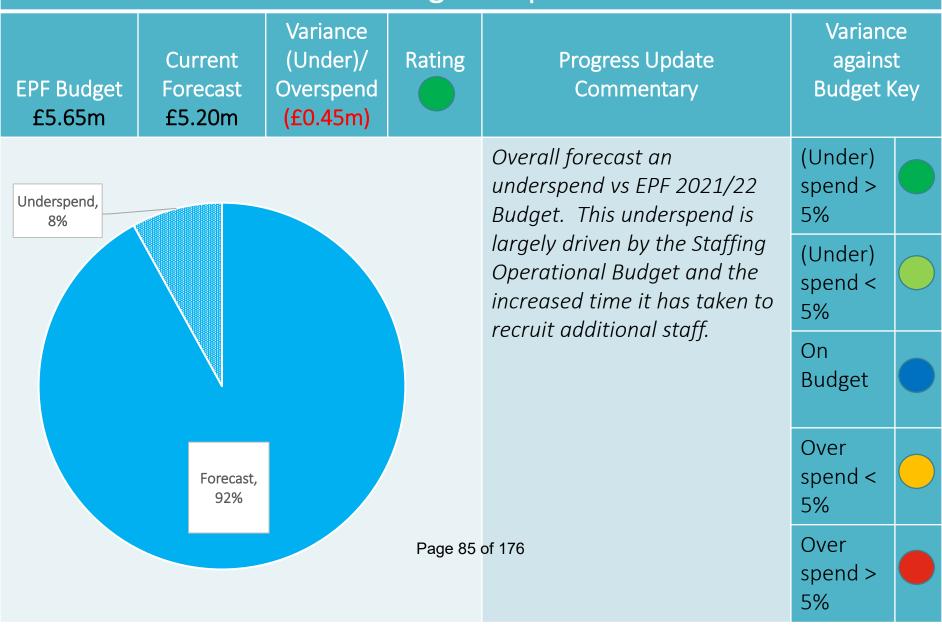
Communications

Administration

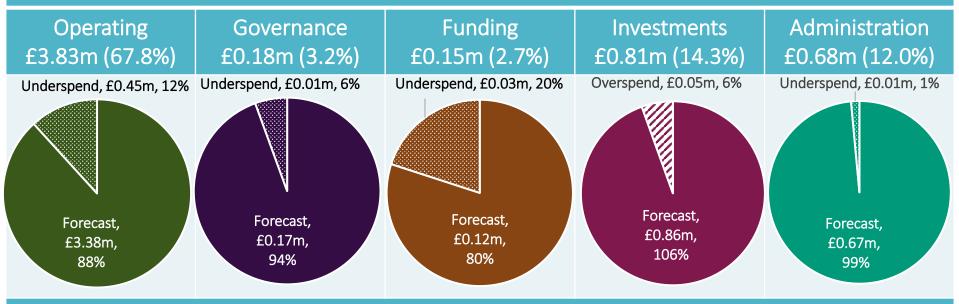
Governance

Funding

EPF Budget vs Forecast 2021/22 Q3 Progress Update



EPF Budget 2021/22: £5.65m



Variance against Budget: Rating

Budget Commentary

Forecast a significant underspend on EPF Staffing Budget for the year. This has been largely driven by recruitment taking longer than anticipated and savings made by utilising the Government Kickstart Scheme.

Governance advice forecast a small monetary underspend for the year. Largely relating to the reduced number of Officer and Adviser meetings than budgeted for.

Actuarial advice forecast an underspend. This relates to the expectation that Legislation advice around McCloud and Cost Cap is now likely to be pushed to the next financial year.

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Forecast an overspend for the year. This is largely driven by additional expenditure in relation to the increased Responsible Investment work and Officers and Advisers accelerating the timescale to engage with each of the Fund's Investment Managers in the current year.

Forecast a slight underspend for the year.

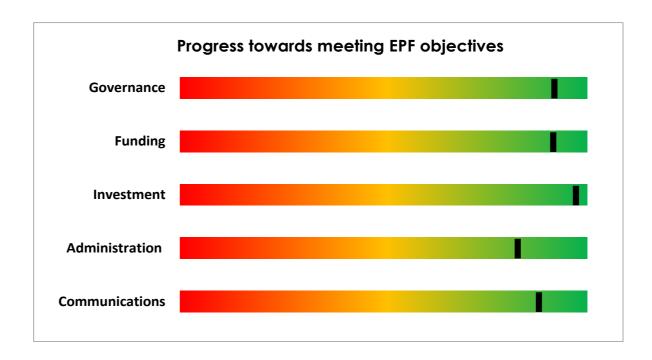
Essex Pension Fund

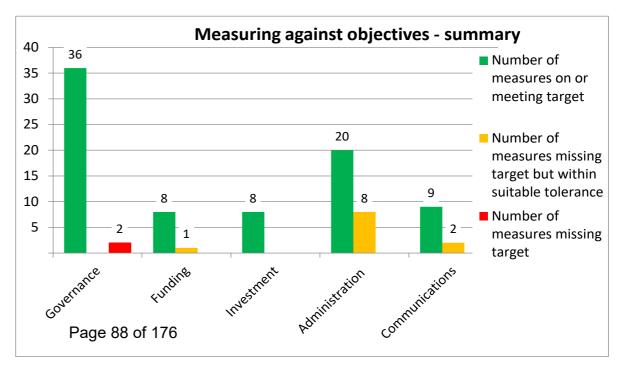
Section C 2021/22 Scorecard Update

01 July 2021 - 30 September 2021



Current Status





Movements since previous Scorecard

Governance

No movements during this Quarter

Funding

No movements during this Quarter

Investment

No movements during this Quarter

Administration



Communications

No movements during this Quarter

The numbers on the arrows represent the number of measures moving each way





Measure	Target	Score as at 30 June 2021	Score as at 30 September 2021	Detail	Trend
1.5.6. PAB has provision for representatives of employers and scheme members. Appointees are currently in place	Yes	No	No	On 17 February 2021, Fund Officers received a resignation from one PAB Scheme Member representative. Recruitment activities have now been completed and an update has been provided as part of this Agenda Pack.	
1.6.5. EPF have been subject to audit by External Auditors	Yes		No	Further issues and delays were reported to the PSB at their 22 September meeting noting that the External Audit on the Fund had not been completed and there was a risk that BDO LLP would not meet the November deadline causing delays in the publication of the Fund's Annual Report & Accounts. It is now expected that BDO will not be in a position to complete their final sign off until 17 January 2022.	N/A





Measure	Target	Score as at	Score as at 30 September 2021	Detail	Trend
2.6.1. Potentially unrecoverable deficit due to employers leaving scheme (as a percentage of Total Fund deficit)	0.000%	0.038%	0.038%	On a full cessation basis there remains a total sum potentially unrecoverable of £3.2m. On an ongoing basis there is no deficit. 0.038% was reported to the 22 September 2021 PSB.	

Exceptions - Administration



Measure	Target	Score as at 30 June 2021	Score as at 30 September 2021	Detail	Trend
4.1.3. Meeting Fund's agreed timescales - Letter detailing transfer in quote issued within 10 working days	95%	90%	91%	This has increased from 90% in 2019/20 to 91% in 2020/21. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 287 cases in 2020/21 441 cases in 2019/20 151 cases in 2018/19 392 cases in 2017/18	
4.1.5. Meeting Fund's agreed timescales - Process and pay a refund with 10 working days	95%	93%	95%	This has increased from 93% in 2019/20 to 95% in 2020/21. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 5,093 cases in 2020/21 2,443 cases in 2019/20 1,976 cases in 2018/19 963 cases in 2017/18	
4.1.12. Meeting Fund's agreed timescales - Calculate and notify deferred benefits within 30 working days	95%	79% Page	90% 92 of 176	This has increased from 78% in 2019/20 to 90% in 2020/21. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 4,685 cases in 2020/21 3,090 cases in 2019/20 6,581 cases in 2018/19 2,111 cases in 2017/18	

Measure	Target	Score as at 30 June 2021	Score as at 30 September 2021	Detail	Trend
4.1.14. Meeting Fund's agreed timescales – Once Fund is in receipt of all required data, letter detailing implementation of divorce settlement cash equivalent value and application of pension sharing order within 15 working days	95%	92%	92%	Unchanged. 92% in both 2019/20 and 2020/21. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 13 cases in 2020/21 13 cases in 2019/20	
4.2.1. % of contributing employers submitting timely payments	100%	97.9%	98.4%	Previous score reported to 22 September 2021 PSB was 97.9%	
4.2.2. % of employers submitting employer contribution amounts in accordance with rates and adjustments certificate	100%	99.9%	99.9%	Previous score reported to 22 September 2021 PSB was 99.9%	
4.3.5. Meeting legally required timescales - Letter detailing transfer in quote issued within 2 months from initial request	100%		99%	This is a new measure and therefore no comparable data is available. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 286 of 287 cases in 2020/21	N/A
4.3.6. Meeting legally required timescales -Letter detailing transfer out quote issued within 2 months from initial request	100%		99%	This is a new measure and therefore no comparable data is available. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 947 of 952 cases in 2020/21	N/A
4.3.7. Meeting legally required agreed timescales - Letter notifying the amount of dependent's benefits within 2 months of notification of death	100%	Page	100% 9 3 of 176	This is a new measure and therefore no comparable data is available. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 1,544 of 1,544 cases in 2020/21	N/A

Measure	Target	Score as at 30 June	Score as at 30 September 2021	Detail	Trend
4.3.8. Meeting legally required agreed timescales - Letter detailing divorce quote cash equivalent value and other benefits within 3 months of request	100%		99%	This is a new measure and therefore no comparable data is available. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 364 of 365 cases in 2020/21	N/A
4.3.9. Meeting legally required agreed timescales - Send notification of joining the LGPS to scheme member within 2 months of date of joining	100%		100%	This is a new measure and therefore no comparable data is available. This is an annual measure and will not be updated until September 2022. The CIPFA Average is not yet available. 9,403 of 9,403 cases in 2020/21	N/A

Exceptions - Communication



Measure	Target	Score as at 30 June 2021	Score as at 30 September 2021	Detail	Trend
5.3.3 % positive responses to questions relating to 'the ease of access to information' in all Member Surveys	90%		90%	This is a new measure and therefore no comparable data is available. Two surveys were carried out during the 2nd Quarter relating to this measure: the Members Survey and Retirements Survey. 53 out of 59 responses answered "yes" to "Were you able to access the information easily".	N/A
5.4.1 % of positive responses from all Member surveys in relation to 'understanding the information'	90%		86%	This is a new measure and therefore comparable data is not available. Three surveys were carried out during the 2nd Quarter relating to this measure: the Active ABS Survey, Members Survey and Retirements Survey. 320 out of 373 responses answered "yes" to "Was the information easy to understand".	N/A
5.4.2 % positive responses to the Active ABS Survey	90%		85%	This is a new measure and therefore comparable data is not available. 267 out of 314 responses were positive in relation to the Active ABS Survey.	N/A

Essex Pension Fund

Section D



30 November 2021

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Communications

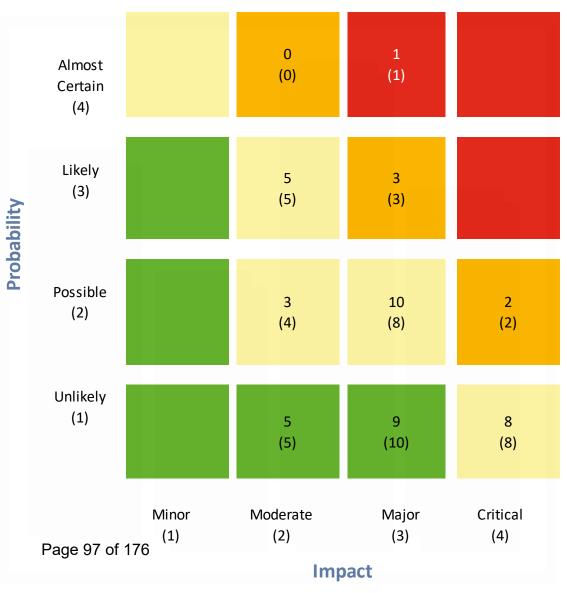
Administration

Governance

Funding

Current Status

Essex Pension Fund



(No. in brackets represents the previous scores reported to the 22 September 2021 PSB)

Assessments BAU

Risk	Reported at 22 September 2021 PSB	As at 30 November 2021
G3. Due to a lack of expertise, insufficient knowledge and maintenance of the Essex Pension Fund Strategy Board (PSB), Essex Pension Fund Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) arising out of high turnover and/or changes within the Local Government Pension Scheme (LGPS) benefit structure, regulations and associated directives/deliverables increase the risk of a poor decision and policymaking resulting in unprofitable investments and funding	4 (Yellow) At target score. Not reported as part of the exception report.	6 (Yellow) The impact has increased from 2 to 3 due to the Fund's Advisers (Aon, Barnett Waddingham, Hymans Robertson) having the potential to reach retirement at similar periods. There is a risk the Fund could lose years of knowledge and expertise that the Advisers have gained over time with the Fund all at once.

Assessments

BAU

Risk	Reported at 22 September 2021 PSB	As at 30 November 2021
G4. There is a risk that the failure of Officers to maintain sufficient levels of competence and/or resource to discharge their duties could lead to retention of inefficient staff, therefore, relying on key officers impacting on the wellbeing of staff and a reduced work rate for the Fund	3 (Green) At target score. Not reported as part of the exception report.	6 (Yellow) The likelihood has been increased (from 1 to 2) in line with the comments made on risk G3 as reliance may not be able to be placed on the Fund's Advisers if newly appointed.
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	6 (Yellow) Reduced back to target score due to EPF being able to carry out BAU throughout Covid-19 Pandemic with the likelihood reduced by the lift of restrictions	6 (Yellow) This risk is still being monitored due to the Coronavirus Pandemic however does not need to be highlighted for any concern at this time

Assessments

BAU

Risk	Reported at 22 September 2021 PSB	As at 30 November 2021
A1. Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to: - lack of regulatory clarity; - system issues; - insufficient resources.	6 (Yellow) Likelihood reduced bringing the score back to target as a result of the amount of deaths now stabilising	6 (Yellow) This risk is still being monitored due to the Coronavirus Pandemic however does not need to be highlighted for any concern at this time
A3. Failure to pay people at right time in right amount	6 (Yellow) Pending BACS Cloud Procurement update. In addition, ECC are in the process of changing the General Ledger system (TCS) to a new system in the coming months.	6 (Yellow) Sign off of the BACS Cloud has been completed as we now wait for implementation. The new ECC General Ledger system (My Oracle) is causing delays in the Fund's reconciliation processes.



Risk Details	22 Sep Rating	Current Rating	Controls / Mitigations	Target Score
G3. Due to a lack of expertise, insufficient knowledge and maintenance of the Essex Pension Fund Strategy Board (PSB), Essex Pension Fund Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) arising out of high turnover and/or changes within the Local Government Pension Scheme (LGPS) benefit structure, regulations and associated directives/deliverables increase the risk of a poor decision and policymaking resulting in unprofitable investments and funding	4	6	 Training Plan is in place. PSB/ISC/PAB Members have to complete specific Chartered Institute of Public Finance & Accountancy (CIPFA) modules on a two-year cycle. Induction training for new Members within 3 months of appointment. Training plans are reviewed/adapted to reflect changes within LGPS. Essex Pension Fund (EPF) use Advisers, e.g. Independent Governance & Administration Adviser (IGAA), to provide relevant information and recommendations. Progress made against the training plans is recorded and monitored. Mechanisms are in place to recruit vacancies as they arise. 	4

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Risk Details	22 Sep Rating	Current Rating	Controls / Mitigations	Target Score
G4. There is a risk that the failure of Officers to maintain sufficient levels of competence and/or resource to discharge their duties could lead to retention of inefficient staff, therefore, relying on key officers impacting on the wellbeing of staff and a reduced work rate for the Fund	3	6	 Essex Pension Fund (EPF) training plans are being implemented through performance plans. EPF staff attend training events, engage with peer groups, and work towards the Chartered Institute of Public Finance & Accountancy (CIPFA) Knowledge and Skills Framework. EPF staff training is recorded and monitored. Teams ensure Standing Operating Procedures (SOPs) are produced to cover key processes. In the absence of key officers, EPF utilises external consultants and independent Advisers to help in the short term. 	3



Risk Details	22 Sep Rating	Current Rating	Controls / Mitigations	Target Score
G14. Regulatory risks impacting on Investments, Funding and Administration: - McCloud, Cost Cap, £95k Cap and Goodwin - DLUHC Consultations likely to impact on the Fund i.e. resources to deliver the required outputs; - Academisation of Schools, the possibility of Multi-academy Trust (MAT) breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk; - Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have; - Superannuation Contributions Adjusted for Past Experience (SCAPE) rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions; - Increased centralisation of the Local Government Pension Scheme (LGPS) and HM Treasury taking all the assets / structural change;	12 age 103 of 17	12	 Regular communications with schools to understand their intentions. Essex Pension Fund (EPF) and their Advisers are actively involved in the development of the LGPS. EPF monitor the current and new regulations and correspondence from Department for Levelling Up, Housing and Communities (DLUHC) and Local Government Association (LGA). EPF keeps abreast of developments, participating in consultations and collaborating with other Funds. EPF utilise the expertise of their Independent Administration and Governance Adviser (IGAA) 	4



Risk Details	22 Sep Rating	Current Rating	Controls / Mitigations	Target Score
 G14 continued. Guaranteed Minimum Pension (GMP) equalisation resulting in potentially additional costs and/or administration; National Pensions Dashboard resulting in major changes to data provision; Separation of the Fund from the Administering Authority; Government intervention in Fund asset allocation decisions. 	12	12	 6. Additional Resources have been approved by the Head of Paid Service to enable the Fund to continue to meet its obligations. 7. A McCloud project team was set up in autumn 2019 to ensure requirements are being actioned and communicated with Employers. The Fund will continue to communicate with Employers, and updates on the latest developments will be provided throughout the year. 8. Essex County Council (ECC) Head of Paid Service has authorised further resources to assist with the pending changes and increase in workload. Positions are already starting to be filled. 	4

Exceptions - Administration



Risk Details	22 Sep Rating	Current Rating	Controls / Mitigations	Target Score
A3. Failure to maintain proper records leading to inadequate data resulting in failure to pay the correct pensions to the right people at the right time.	6	6	 Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out. Essex Pension Fund (EPF) ensure the System is tested regularly to ensure compliance with regulations. Robust checking and validation of data takes place in calculations and receipt of information from employers. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications. Payroll is conducted earlier than required to allow issues to be rectified prior to payment. 	3

Exceptions - Administration



Risk Details	22 Sep Rating	Current Rating	Controls / Mitigations	Target Score
A3 Continued.	6	6	 6. Liaise with Essex County Council (ECC) Supplier and Service team to ensure ECC BACS system is secure, reliable and up-to-date with required software on an ongoing basis. There is reliance on ECC BACS software solution to ensure payroll is completed at the right time. 7. ECC's Corporate System 'TCS' (Financial Ledger system) has successfully moved over to 'My Oracle'. Officers are monitoring issues and raising these with the relevant team(s) for rectification. 	3

Essex Pension Fund Strategy Board	PSB 05a
Date: 15 December 2021	

Investment Steering Committee (ISC) Quarterly Report

Report by the Investment Manager

Enquiries to Samantha Andrews on 03330 138501

This Report is for noting

Executive Summary

The ISC have met on two occasions since the last Essex Pension Fund Strategy Board (the Board) meeting on 13 October and 29 November 2021 respectively.

The focus of both meetings was the progress against the Fund's Responsible Investment (RI) Project Plan and the outcome of numerous investment manager Engagement Meetings with the Fund's equity, bond and index tracking managers. Significant time was dedicated to the exploration, in conjunction with the Fund's index tracking manager, UBS of possible solutions to aligning the index tracking mandate with the Fund's current RI Policy.

The 29 November 2021 meeting also focussed on the Investment Strategy Implementation Programme, with several recommendations for consideration in regard to maintaining the strategic allocation to the three assets 'buckets' of: Equities; Bonds and Alternatives.

1. Purpose of the Report

1.1 To provide a report on the ISC activity since the last Board meeting.

2. Recommendations

2.1 The Board note the content of the report.

3. Background

- 3.1 In accordance with its Terms of Reference, the ISC is required to submit quarterly reports on its activities to the Board.
- 3.2 Since the Board's last meeting the ISC have met on two occasions, 13 October and 29 November 2021 respectively.

4. Report of the meeting of ISC on 13 October 2021

- 4.1 Details of the Fund's investment manager performance for the quarter ended 30 June 2021 was discussed. Members were pleased to note that the Fund value as of October had reached a new high of c.£9.4bn.
- 4.2 The Committee **agreed** to disinvest from a small investment in Alcentra's Global Multi Credit Solution Fund and to reinvest the proceeds in M&G's Alpha Opportunity Fund.
- 4.3 The main area of business was in regard to RI. Hymans Robertson provided the Committee with an overview of the RI Workshop that took place on 16 September 2021. In addition, an update was provided on the current position against the RI Project Plan. It was noted that some milestones were further progressed than others, but the Fund was broadly on target.
- 4.4 It was noted that the Financial Reporting Council (FRC) had issued feedback on the 189 Stewardship Code submissions that they had received in regard to the new 2020 Stewardship Code, with approximately two thirds being successful.
- 4.5 Following an update in relation to the RI Engagement Meetings with the Fund's active equity investment managers, the Committee **agreed** that Officers and Advisers formulate an Engagement Strategy based on the initial work undertaken and adopt this approach with the Fund's other investment managers going forward, commencing with the bond mandates.
- 4.6 A key area of focus was the review by Hymans Robertson of the Index Tracking mandate and how that aligned with the Fund's RI Policy. It was agreed that UBS, the Fund's Index Tracking Manager be invited to the next meeting to workshop potential solutions.

- 4.7 The Fund's Global Custodian provided a training session on the Role of a Custodian and how they protect the Fund's assets, as part of the ISC's Two-Year Training Plan.
- 4.8 A verbal update was provided in regard to the 25 June 2021 informal meeting and the 06 September 2021 ACCESS Joint Committee (AJC) meeting. It was explained that the main areas of business discussed included:
 - the resolution to the Link Fund Solutions (Link) professional assurance arrangement;
 - the outcome of the BAU Evaluation including the recommendation to establish a timetable clearing articulating milestones; and
 - the outcome of the Emerging Market Review undertaken by the Task and Finish Group and the agreement of seven recommendations.

5. Report of the meeting of ISC on 29 November 2021

- 5.1 Details of the Fund's investment manager performance for the quarter ended 30 September 2021 was discussed and Members were pleased to note that the Fund value had yet again surpassed the high reported at their 13 October 2021 meeting, now standing at c.£9.7bn.
- 5.2 The main areas of business were around RI and the review of the Fund's strategic allocation.
- 5.3 In regard to the former, a further update on progress with the RI Project Plan was noted by the Committee.
- 5.4 The outcomes of the RI Engagement Meetings with the Fund's two active bond and index tracking investment managers was noted. In addition, the Committee, recognising the unique nuances **agreed** that Officers and Advisers develop a similar Engagement Strategy that was used for the liquid assets for the alternative assets of the Portfolio focussing, in the first instance, on the Property portfolio.
- 5.5 Another key focus for Members was the report and presentation in relation to the Taskforce on Climate Related Financial Disclosures (TCFD). It was

explained that TCFD requires a minimum of three climate metrics. The Committee following a discussion on the pros and cons of various measures **agreed** several climate metrics be taken forward and monitored on an annual basis. Members also **agreed**, that in line with Essex County Council's pledge, the Fund should aspire to have a portfolio that was invested in line with net zero by 2050.

- 5.6 As a result of the 13 October 2021 ISC where index tracking approaches were discussed, UBS, the Fund's Index Tracking Manager, was invited to hold a Workshop with the Committee on the provision and development of Index Tracking Products. Following the Workshop, the Committee discussed the options available.
- 5.7 Hymans Robertson outlined to the Committee the analysis undertaken of the Fund's overall Investment Strategy. The Committee **agreed** that 2% of the Fund's value be disinvested from Marathon, one of the Fund's global equity managers and be reinvested in the M&G Alpha Opportunity Fund as soon as reasonably possible. In addition, that the outstanding IFM capital call also be funded from the Marathon mandate, with the mandate's remaining holdings be disinvested in the near future as part of the Fund's de-risking programme.
- 5.8 A further report outlined the recent review of the Fund's three Infrastructure Managers and the top up commitments required for the Fund to achieve their asset class target allocation. The Committee **agreed** top up commitments to JP Morgan Infrastructure Fund and Partners Group Direct Infrastructure 2020 Fund, along with an in-principle commitment to Partners new Global Infrastructure Fund (due for launch in 2022).
- 5.9 The final proposal, in relation to the strategic allocations was in regard to the Fund's 5% allocation to direct lending. The Committee **agreed** an additional top up commitment be made to Permira Credit Solutions.
- 5.10 The Committee were also provided first sight of ACCESS's draft RI Guidelines.

6. Link to Essex Pension Fund Objectives

6.1 Investments:

- To maximise the returns from investments within reasonable risk parameters;
- To ensure the Fund's investments are properly managed before, during and after pooling is implemented; and
- Ensure investment issues are communicated appropriately to the Fund's stakeholders.

7. Risk Implications

- 7.1 The current investment risks associated with the Fund's investment strategy are those detailed in the Investment Strategy Statement and the Fund's Risk Register.
- 7.2 No new risks have been identified during the quarter.

8. Communication Implications

8.1 The Fund was a signatory on the ACCESS proposal to Government in February and July 2016.

9. Finance and Resources Implications

- 9.1 In addition to the work undertaken by Officers, the cost of ACCESS pool participation per Fund is estimated to be £113,000 in 2021/22.
- 9.2 The cost to the Fund was:
 - £78,426 in 2020/21;
 - £62,866 in 2019/20;
 - £116,000 in 2018/19;
 - £94,000 in 2017/18; and

• £80,000 in 2016/17.

10. Background Papers

- 10.1 ISC meeting of 29 November 2021 Agenda and Draft Minutes.
- 10.2 ISC meeting of 13 October 2021– Agenda and Minutes.

Essex Pension Fund Strategy Board	PSB 05b(i)
Date: 15 December 2021	

Essex Pension Fund Advisory Board (PAB) Quarterly Report

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

This Report is for noting

Executive Summary

The Essex Pension Fund Strategy Board (PSB) meeting that was held on 22 September 2021 was discussed in full and no issues were raised.

In addition, Members discussed the process and timeline of the PAB's Effectiveness Review being undertaken by the Fund's Independent Governance and Administration Adviser (IGAA).

1. Purpose of the Report

1.1 To provide the Board with an update on the PAB activity since the last Board meeting.

2. Recommendations

2.1 That the Board should note the content of the report.

3. Background

- 3.1 The Essex Pension Fund Advisory Board (PAB) was 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 Local Government Pension Scheme (LGPS) Regulations 2013.
- 3.2 Since the PSB's last meeting, the PAB has met on one occasion on the 22 September 2021.

4. Report of the meeting of PAB on 22 September 2021

4.1 The PAB received a report from the Director for Essex Pension Fund outlining the work undertaken by the PSB at their 22 September 2021 meeting which had taken place that morning.

4.2 Points covered were:

- the outcome of the Training Needs Analysis (TNA) undertaken with Members of the PSB, Investment Steering Committee (ISC) and PAB along with the proposal to sign up to the LGPS Online Learning Academy (LOLA) which was subsequently agreed;
- the update in regard to the delay in the External Audit Completion Report and that it would be unlikely to meet the deadline for the November 2021 Audit, Governance and Standard Committee meeting;
- the good progress noted against the Business Plan with thirteen areas of activity completed;
- the noting of the 7% underspend against the Fund's Budget;
- the PAB's continuation of a red Scorecard Measure due to the vacant Scheme Member representative position;
- the downgrading of Risk's G9 (failure to undertake Business as Usual)
 and A1 (failure to administer the scheme correctly) reverting back to their
 target score of 6 both as a result of the minimal impact to BAU
 throughout the Pandemic and the lifting of restrictions;

- the update in regard to the vacant PAB Scheme Member position and the approval to commence the PAB Independent Chairman recruitment;
- the outcome of the Printing and Posting procurement with Adare Sec appointed as the Fund's Printing and Posting supplier;
- the final responses to the HM Treasury Consultations for the Discount rate methodology and Cost control mechanism;
- the training provided to the PSB in regard to the Wider LGPS Landscape:
- the updates in regard to Employer Liquidations; and
- the termination of the combination of Aon with Willis Towers Watson.
- 4.3 The PAB considered a report by the IGAA in regard to the PAB's Governance Effectiveness Review which outlined a suggested timeline for the Review to be undertaken, which also included that the final outcome of the Review be reported back to the PSB at their 23 March 2022 meeting.

5. Link to Essex Pension Fund Objectives

5.1 Ensure compliance with the LGPS regulations, other relevant legislation, and the Pensions Regulator's Codes of Practice.

6. Risk Implications

6.1 Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss.

7. Background Papers

- 7.1 PAB Agenda and Notes of 22 September 2021 meeting.
- 7.2 PSB Minutes of 22 September 2021 meeting.

Essex Pension Fund Strategy Board	PSB 05b(ii)
Date: 15 December 2021	

Essex Pension Fund Advisory Board (PAB) Scheme Member and Independent Chairman Recruitment

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

This Report requires a decision

Executive Summary

The report provides the Board with the outcome of the PAB Scheme Member Representative recruitment.

In addition, a recommendation has been provided for the Board's consideration in regard to the PAB Independent Chairman recruitment.

1. Purpose of the Report

- 1.1 To provide the Board with the outcome of the Scheme Member recruitment on the PAB.
- 1.2 To outline a recommendation for the Board's consideration for the re-appointment of the Independent Chairman of the PAB.

2. Recommendations

2.1 That the Board agrees:

 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;

- to note the appointment of Christopher Downs, Essex County Council to the vacant Scheme Member representative position on the PAB; and
- to note the content of the report.

3. Background

- 3.1 The PAB are appointed by Essex County Council as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013.
- 3.2 In line with the PAB's Terms of Reference, it shall consist of nine Members and comprise of:
 - i. Four Employer Representatives made up of one from each of the following groups of Employers in the Essex Pension Fund:
 - Essex County Council (an Elected Member);
 - the District, City and Borough Councils of Essex (an Elected Member);
 - Southend-on-Sea and Thurrock Unitary Authorities (an Elected Member);
 - all other Employers;
 - ii. Four Scheme Member Representatives of which:
 - one nominated by the Trade Unions; and
 - the rest drawn from the total Essex Pension Fund active, deferred and pensioner membership;
 - iii. One Independent Chairman.
- 3.3 At their 07 July 2021 meeting, the PSB agreed to recommence the recruitment for the PAB Scheme Member Representative and at their 22 September 2021 meeting, the commencement of the recruitment process for the PAB Independent Chairman.
- 3.4 The Appointments Panel was set up to undertake these recruitment activities in line with the PAB's Terms of Reference. The Membership was confirmed for both meetings as:
 - (i) the Chairman of the PSB;

- (ii) the Scheme Member representative from the PSB; and
- (iii) the Director for Essex Pension Fund.

4. Independent Chairman

4.1 The provisional timetable agreed for the recruitment of the Independent Chairman is detailed below:

Date	Action	Owner
22 September 2021	PSB agree the Membership of the Appointments Panel, timetable, and process.	PSB
October 2021	Appointments Panel to agree job specification and remuneration.	Appointments Panel
October 2021	 Advertising of vacancy via: Appropriate external websites; and Essex Pension Fund Website and LinkedIn. 	Fund Officers
10 November 2021	Closing of advertisement and evaluation.	Fund Officers
November 2021	Evaluation agreed by the Appointments Panel.	Appointments Panel and Fund Officers
15 December 2021	Confirmation of appointment of Independent Chairman and ratification of decision by PSB.	Fund Officers and PSB

4.2 Fund Officers received one application from the current incumbent which included a covering letter/email and Resume.

- 4.3 As a consequence, Fund Officers advised the Panel that an interview would not be required and therefore carried out a desktop Evaluation of the application for consideration by the Panel.
- 4.4 Members of the Appointments Panel were requested to review the outcome of the Evaluation and provide the Compliance Manager with their agreement or challenge of the scores by close of business Monday 22 November 2021.
- 4.5 No challenge was received, all Members of the Panel agreed with the evaluated scores as follows:

(0 = unacceptable response, 1 = poor response, 2 = satisfactory response, 3 = good response, 4 = very good response, 5 = excellent response)

Area of review	Maximum Score Available	Score Awarded
Independence	5	5
LGPS Knowledge and Understanding	5	5
Capacity and Commitment	5	3
Skills	5	4
Other details on application and/or Resume to be considered	5	4
Other known details not included on application or Resume that should be considered	5	4
TOTAL	30	25

4.6 It is therefore recommended that the PSB agree 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.

5. Update on Scheme Member Representative Recruitment

- 5.1 Following agreement at the 07 July 2021 meeting, the revised Recruitment process commenced to fill the vacant position of the Scheme Member representative on the PAB.
- 5.2 Three Scheme Members applications were received by the closing date of 17 September 2021.
- 5.3 All three applicants were invited to interview, and these were held on 04 October and 13 October 2021 respectively.
- 5.4 The outcome of the interview process are provided below:

Area of questioning	Maximum Score Available	Score Awarded Interview No.1	Score Awarded Interview No.2	Score Awarded Interview No.3
The Role of the PAB Member	5	1	3	2
Accountability to stakeholders and beneficiaries	5	2	3	2
Knowledge, Skills and Training	5	2	2	1
Risk Management	5	1	3	1
Personal Experience	5	2	3	2
Representing Members	5	0	3	2
Areas of Focus	5	1	2	1
Conflict of Interest	5	2	4	3
Communication	4	1	4	1
TOTAL	44	12 (3 rd)	27 (1 st)	15 (2 nd)

- 5.5 The position of the PAB Scheme Member representative was offered to the individual in 1st position which was subsequently accepted.
- 5.6 Christopher Downes from Essex County Council commenced his term on the PAB on 19 October 2021 for a period of up to six years.

6. Link to objectives

- 6.1 Act with integrity and be accountable to our stakeholders.
- 6.2 Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise.

7. Risk Implications

- 7.1 Without full membership of the PAB, the Fund are in breach of the Public Service Pensions Act 2013 and therefore are at risk of not fulfilling their duties as a critical friend to the PSB.
- 7.2 Links to Risk Register include:
 - failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage; and
 - a lack of expertise, insufficient knowledge, and maintenance of the Essex Pension Fund Strategy Board (PSB), Essex Pension Fund Investment Steering Committee (ISC) and Essex Pension Fund Advisory Board (PAB) arising out of high turnover and/or changes within the Local Government Pension Scheme (LGPS) benefit structure, regulations, and associated directives/deliverables.

8. Communication Implications

8.1 Other than ongoing reporting to the Board, there are no further communication implications.

9. Finance and Resource Implications

- 9.1 The remuneration for the Independent Chairman position on the PAB was agreed by the Appointments Panel as £2,000 per PAB meeting¹ (inclusive of tax) including travel and accommodation. This fee also includes pre/post reading and communications with the Fund prior to and after the PAB meetings. In addition, the Independent Chairman will be expected to attend all PSB meetings as an observer to enable the PAB to fulfil their oversight role. This remuneration will be met by the Fund's existing 2021/22 Budget.
- 9.2 In addition, in line with the PAB's Terms of Reference, Scheme Member Representatives are expected to be given the required paid time from their Employer to attend PAB meetings and any associated training events applicable to their role.

10. Background Papers

- 10.1 Essex County Council Constitution and the Essex Pension Fund Advisory Board Terms of Reference therein.
- 10.2 PAB Scheme Member and Independent Chairman Recruitment, PSB 06b, 22 September 2021.
- 10.3 PAB Recruitment, PSB 09b(iii), 07 July 2021.
- 10.4 PAB Vacancy, PSB 07.C, 17 March 2021.
- 10.5 PAB Independent Chairman Arrangements, PSB 11, 16 December 2020.

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¹ Payment will only be made if the PAB meeting has been attended.

Essex Pension Fund Strategy Board

PSB 06



Date: 15 December 2021

Fund Policies: Review of Administration Strategy

Report by the Technical Hub Manager

Enquiries to David Tucker 03330 138384

This Report requires a decision

Executive Summary

Officers have reviewed the Fund's Administration Strategy and have made some minor amendments, primarily to take into account the change from year-end data returns from Employers to monthly returns.

Comments are invited from the Board on the changes made, prior to a consultation with Scheme Employers in the new year.

Once the consultation with Scheme Employers has taken place, a final draft revised Administration Strategy will be brought to the Board at its 23 March 2022 meeting for approval.

1. Purpose of the Report

- 1.1 To present a draft revised Administration Strategy to the Board for comment.
- 1.2 To outline a timetable for consultation with Scheme Employers and next steps.

2. Recommendations

- 2.1 That the Board note the draft Administration Strategy and the timetable for feeding back any comments to Officers.
- 2.2 That the Board **agree** that the draft Administration Strategy be circulated during January and February 2022 to Scheme Employers for consultation.

3. Background

- 3.1 Local Government Pension Scheme (LGPS) Regulation 59 (1) says that an administering authority may prepare a written statement (known as an "Administration Strategy") of the authority's policies in relation to such matters as:
 - procedures for liaison and communication with Scheme Employers;
 - the establishment of levels of performance which the administering authority and its Scheme Employers are expected to achieve in carrying out their Scheme functions; and
 - the circumstances in which the administering authority may consider giving written notice to any of its Scheme Employers concerning additional costs arising from Scheme Employer's level of performance.
- 3.2 The Fund's current Administration Strategy was approved by the Board at its December 2018 meeting.
- 3.3 It is good practice to review strategies regularly and an action was included in the 2021/22 to 2023/24 three-year Business Plan to review the Administration Strategy during 2021/22.

4. Progress

- 4.1 The review by Officers has established that the Strategy is working well but it needs updating.
- 4.2 The primary changes have been made to take account of the move from yearend data returns from Employers to monthly returns, including changes to the policy on charging for late and/or inaccurate returns.
- 4.3 Some further minor amendments have been made, including:
 - adding a number of notifiable events to the employer responsibilities under 3.1.8, following the introduction of flexibilities policies relating to employers exiting the Fund;
 - changing the description of the performance area and the standard of the key tasks under 3.2.2, to align with the changes to the CIPFA Benchmarking measure which are now focussed on performance against the legal time limits; and

• a 10% increase to the flat rate charges for work not included in the administration charge under section 6.

5. Timetable

- 5.1 Comments on the changes made are invited from the Board by 07 January 2022.
- 5.2 Scheme Employers will then be consulted on the changes during January and February 2022.
- 5.3 Any comments from Employers will be considered by Officers and a final draft revised Administration Strategy will be brought to the Board at its 23 March 2022 meeting for approval.

6. Link to Essex Pension Fund Objectives

- 6.1 Putting in place an Administration Strategy will assist in achieving the following Fund objectives:
 - act with integrity and be accountable to our stakeholders;
 - evolve and look for new opportunities, ensuring efficiency at all times;
 - deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need;
 - ensure benefits are paid to the right people at the right time in the right amount: and
 - ensure contribution income is collected from, the right people at the right time in the right amount.

7. Risk Implications

7.1 There are no key risks as a result of agreeing this draft Strategy as it is predominantly based on current practices and previous Board decisions.

8. Communication Implications

8.1 Officers will undertake a consultation exercise with Employers in the Fund prior to bringing a final draft revised Administration Strategy to the Board for approval.

9. Finance and Resources Implications

9.1 The consultation exercise, including responding to comments from Employing Authorities, will require officer resource but it is expected that this can be managed within the existing Budget.

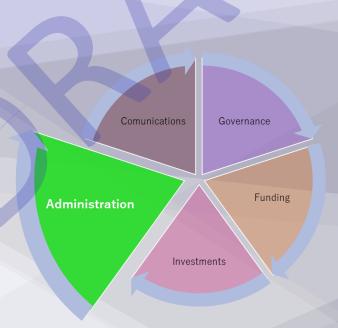
10. Background Papers

10.1 Administration Strategy, PSB 07, 19 December 2018.

Essex Pension Fund

Administration Strategy

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1. Introduction and Regulatory Context

- 1.1 This is the Administration Strategy of the Essex Pension Fund ("the Fund") in relation to the Local Government Pension Scheme (LGPS) in Essex. The Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. This document sets out a framework by way of outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high-quality pension administration service.
- 1.2 The LGPS Regulations 2013 allow Pension Fund Administering Authorities to prepare an Administration Strategy ("the Strategy") for the sole purpose of improving the administrative processes within their LGPS Fund. In discharging their roles and responsibilities under these regulations, the Fund and Scheme Employers ("Employers" or "Employer") are also required to comply with any pertinent overriding legislation and take appropriate recognition of any regulatory guidance or Code of Practice issued by The Pension Regulator.
- 1.3 The 1st April 2015 represented a key milestone in the governance arrangements of the LGPS. From this date the Pensions Regulator took responsibility for setting standards of administration and governance on all administrative aspects of the Scheme, whilst recently established Local Pension Boards will play an independent scrutiny role to 'assist' the Fund with its 'regulatory compliance, effective and efficient administration and governance'.
- 1.4 The Fund has revised its December 2018 Strategy to ensure the Governance and administration requirements of The Pension Regulator ("TPR") are properly addressed as they fall to the Fund and Employers.

2. Aims and Objectives

- 2.1 To ensure that we are administering the Scheme correctly and we continue to improve and enhance the service we offer, the Fund has set the following Administration Objectives:
 - Deliver a high-quality, friendly and informative service to all beneficiaries, potential beneficiaries and Employers at the point of need
 - Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount
 - Data is protected to ensure security and authorised use only

The Fund has also set the following Communications Objective:

 Aim for full appreciation of the pension Scheme benefits and changes to the Scheme by all Scheme Members, prospective Scheme Members and Employers

2.2 The aims of this Strategy are to:

- Provide a high-quality pension service to Members;
- Set out the quality and performance standards expected of the Fund and its Scheme Employers; and
- Promote good working relationships and improve efficiency between the Fund and its Scheme Employers.
- 2.3 The efficient delivery of the benefits of the Scheme is reliant upon effective administrative procedures being in place between the Fund and Scheme Employers, most notably for the timely exchange of accurate information in relation to Scheme Members.
- 2.4 This Strategy sets out the expected levels of performance of the Fund and the Scheme Employers and provides details about the monitoring of performance levels and the action(s) that might be taken where standards are not met by Employers and/or when persistent non-compliance occurs.
- 2.5 The **specific Objectives** of this Strategy are to ensure that:
 - The Fund and Employers are aware of, and understand, their respective roles and responsibilities under the LGPS Regulations.
 - The Fund operates in accordance with LGPS Regulations and is aligned with The Pensions Regulator in demonstrating compliance and Scheme governance.
 - Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other partners.
 - Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, on a timely basis and in a secure and compliant manner.
 - The Fund and Scheme Employers have appropriate skills, and that guidance/ training is in place, to deliver a high-quality service and effectively contribute to the changing pensions agenda.
 - Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out.
 - Administrative services are developed and delivered digitally where possible in order to streamline processes and maximise efficient use of resources.

3. Roles and Responsibilities

3.1 Scheme Employer Responsibilities

- 3.1.1 Each Scheme Employer shall nominate a person who will act as the Fund's primary contact. There may be up to three further contacts for finance, contributions, payroll etc.
- 3.1.2 Authorised Officers should sign all documents and/or instructions received from an Employer. In signing a document, the Authorised Officer is not merely certifying that the form comes from the Employer stated, but also that the information being provided is correct. Consequently, if an Authorised Officer is certifying information that someone else has compiled, for example leaving information including a final salary pay, career average pay, assumed pay, they should satisfy themselves that the information is correct.
 Nb. the Authorised Officer cannot sign a document/form which in respect of their own LGPS membership these should be signed by a more Senior Authorised Officer/ Chairman of the Council etc.
- 3.1.3 It is the Employer's responsibility to ensure that the Authorised Officer and contact details held by the Fund are correct, and to notify the Fund of any changes immediately.
- 3.1.4 The Employer must ensure the nominated primary contact (and other key staff) is aware of its Scheme Employer duties and keeps up to date with guidance issued by the Fund.
- 3.1.5 The Employer must ensure it retains a good level of LGPS knowledge and has a succession plan in place in case the nominated primary contacts leaves.
- 3.1.6 During the year the Employer should provide the required data and notifications to the Fund, with 90% compliance or better. Persistent failure by an Employer to meet the required performance standards could result in any additional costs to the Fund being recovered from the Employer see Section 5.6.
- 3.1.7 The Employer must comply with its obligations under Data Protection Law (see the Fund's 'Memorandum of Understanding for Employers compliance with Data Protection Law'), including the secure transfer of Members' personal data.

Summary of Scheme Employer Responsibilities

3.1.8 This section outlines the key responsibilities of Scheme Employers, what Employers are required to do and by when. It is focussed on the key activities and should not be viewed as an exhaustive list; Employers have a statutory duty to provide the Fund with all information necessary to enable the Fund to administer the Scheme. Employers are expected to achieve at least 90% compliance with the expectations.

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Function/task Expectation		
1)	General	
1.1	Confirm nominated representative(s) to receive information from the Fund via the submission of a completed contacts form	Within 30 days of change or becoming a Scheme Employer
1.2	Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute process (IDRP) and provide full up to date contact details to the Fund	Within 30 days of becoming a Scheme Employer or following the resignation of the current adjudicator
1.3	Formulate, publish and keep under review policies in relation to all areas where the Employer may exercise a discretion within the LGPS	A copy of the policy document is to be submitted to the Fund within 30 days of the change in policy
1.4	Distribute any information provided by the Fund to Scheme Members/potential Scheme Members (e.g. Scheme benefits or benefit statement production)	In a timely manner as required
1.5	 Notify the Fund of any Notifiable Events including, but not restricted to, the following: Material change in LGPS membership Material change in Employer payroll and/or pensionable pay Change in Employer's legal status or constitution A decision which will restrict the Employer's active membership in the Fund in future Any restructuring or other event which could materially affect the membership in the Fund in future Confirmation of wrongful trading Conviction of senior personnel Decision to cease business Breach of banking covenant 	Within 7 days of becoming aware of such an event

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Func	tion/task	Expectation
2)	New Starters	
2.1	Decide who is eligible for LGPS membership (and the date from which membership of the LGPS starts).	On joining (or at point becomes eligible if later)
2.2	Determine rate of employee contributions	For the first pay period in which the employee joins the LGPS
2.3	Notify the Fund of new joiner via Monthly Return	By end of month following the date joined (e.g. by the end of May if joined in April)
2.4	Provide new employees, who are eligible for the LGPS, with details about the LGPS This may be in the form of providing a copy of the Key Facts leaflet and/or directing them to the Fund's website	With 30 days of commencing eligible employment
3)	Contributions	
3.1	Remit Employer and employee contributions to the Fund and complete monthly remittance form containing detail of the contributions payment.	By 19th of the following month (both payment and form)
3.2	Implement changes to Employer contribution rates as instructed by the Fund at the date specified by the Fund's Actuary	In line with the Rates & Adjustment Certificate as per the Valuation or on commencement as a Scheme Employer
3.3	Ensure and arrange for the correct deduction of employee contributions from a Member's pensionable pay and throughout their membership in the Scheme (including any periods of leave)	As required, typically monthly
3.4	Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required

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Func	etion/task	Expectation
3.5	Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required, typically monthly
3.6	Make additional fund payments in relation to early payment of benefits from flexible, redundancy or business efficiency retirement or where a Member retires early with Employer's consent, or the Employer 'switches on' the 85 year rule, and a financial strain cost arises	Within 30 days of receipt of invoice from the Fund
3.7	Refund contributions through the payroll to any employee who opts out of the Scheme with less than 3 months membership.	From the next pay period after receiving the employee's request to opt out
4)	During membership	
4.1	Move employees into the 50:50 section or Main section	From the next pay period after receiving the employee's election
4.2	Move employee back into the Main section	If the employee is in the 50/50 section and either goes onto no pay due to sickness or injury or passes the Member's automatic reenrolment date, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.
4.3	Notify the Fund of changes affecting pension entitlement via Monthly Return	By end of month following the date of change (e.g. by the end of May if the change occurred in April)

Fund	ction/task	Expectation
5)	Early Leavers	
5.1	Early leavers (non-retirement) notify the Fund via Monthly Return	By end of month following the date of leaving or opting out of the Scheme.
6)	Retirements	
6.1	Advance notification of retirement form EPF1a (or via online portal)	Form EPF1a should be sent to the Fund as soon as the retirement date is known
6.2	Notification of retirement Notify the Fund via Monthly Return and forms EPF1 + EPF68 (or via online portal)	Monthly Return and/or forms EPF1 + EPF68 (& EPF142 for ECC if applicable) should be sent to the Fund as early as possible but, in any event, no later than 10 working days after the Member's final payroll has run
6.3	Early Retirement at Member's choice	If the Fund receives information via Monthly Return or EPF1 + EPF68 for a Member who has left their employment and is age 55+ we will process as a potential retirement and offer the Member early payment of pension benefits. Therefore, leaver forms should be sent to the Fund as early as possible but no later than 10 working days after the Member's final payroll has run
6.4	III Health Retirement notification notify the Fund via Monthly Returns and forms EPF1 + EPF68 (or via online portal)	Form EPF1a should be sent to the Fund as soon as the retirement date is known. Monthly Return and/or forms EPF1 & EPF68 should be sent to the Fund as early as possible but no later than 10 working days after the Member's final payroll has run

Func	tion/task	Expectation
6.5	Flexible retirement notification	Monthly Return and/or forms EPF1 & EPF68 should be sent to the Fund as early as possible but no later than 10 working days after the Member's final payroll has run. Starting details for the continuing job to be supplied on Monthly Return by the end of month following the date of leaving or opting out of the Scheme
7)	Contracting out of services	
7.1	Contact the Fund to discuss the pension implications of the contracting out of services which will involve a TUPE transfer of staff to another organisation.	Immediately if contracting out of services is being considered as a possibility and certainly before making any decisions to contract out services
7.2	Notify the Fund of the intention to contract out of services which will involve a TUPE transfer of staff to another organisation by completing TUPE 1 form to instruct the actuary	At least 6 weeks before going out to tender
7.3	Work with the Fund to arrange for an admission agreement to be put in place when contracting out a service, and assist in ensuring it is complied with	In advance of the date of contract (admission agreement must be completed and signed before the contract signing)
7.4	Notify the Fund if the Employer ceases to admit new Scheme Members or is considering terminating membership of the Fund	During exploratory discussions or as soon as the decision is made
8)	Monthly Return	
8.1	Provide the Fund with a Monthly Return containing all required data each month. Because of the critical nature of this data for statutory reporting and annual benefit statement production, there is a separate Charging Policy for late and/or inaccurate returns – see Appendix 1 Page 138 of 17	An accurate return to be submitted in the approved format no later than the end of the following month. For example information for March to be submitted by the end of April.

3.2 The Fund's responsibilities

3.2.1. This section outlines the key responsibilities of the Fund, what the Fund will do and by when. It is focussed on the key activities which Scheme Employers and Scheme Members are involved in and should not be viewed as an exhaustive list. See section 3.2 for a list of key tasks which are benchmarked annually against other LGPS Funds and are reported to the Essex Pension Fund Strategy Board (PSB).

General Duties and Responsibilities

Fund	ction/task	Expectation
1)	General information	
1.1	Regularly review the Fund's Administration Strategy and consult with all Scheme Employers	Review generally every 3 years and consult with Employers before revised Strategy agreed
1.2	Regularly review the Fund's Funding Strategy Statement at each Triennial Valuation, following consultation with Scheme Employers and the Fund's Actuary	Publish by 31 March following the valuation date or as otherwise required
1.3	Regularly review the Fund's Communications Policy	Informally reviewed annually with a formal review every 3 years. Revised Policy published within 30 days of being agreed by the PSB
1.4	Regularly review the Fund's Governance Policy and Compliance Statement	Reviewed and updated at least every three years sooner if the governance arrangements or other matters included within in merit reconsideration. Revised Policy published within 30 days of being agreed by the PSB
1.5	Publish the Fund's Annual Report and Accounts	By 1 December, following the year- end
1.6	Publish the Fund's final audited and approved Accounts	By 31 July following the year-end

Func	Function/task Expectation		
2)	Employer Contribution Requirements		
2.1	Consult with Employers on the outcomes of the Triennial Valuation	The Fund will endeavour to provide outcomes at least two months in advance of the signing of the final rates and adjustment certificate	
2.2	Notify Employers of contribution requirements for three years effective from the April following the Actuarial Valuation date	On or before 1 st April following final issue of rates and adjustments certificate by the Actuary	
2.3	Notify new Scheme Employers of their contribution requirements	Within six weeks of receipt of the notification of admission application if all data has been supplied as requested or commencement as a Scheme Employer	
3)	Support for Employers		
3.1	Provide support for Employers through:	Dedicated helpline: Monday- Thursday 8.30am-5.00pm Friday 8.30am-4.30pm Written communication as per the Fund's Communications Policy Employer forum held at least annually	
3.2	Organise and provide coaching sessions on the Scheme Employer role	In accordance with the Fund's Communications Policy	
3.3	Notify Scheme Employers and Scheme Members of changes to the Scheme rules	As per disclosure requirements	
3.4	Provide a facility for Employers to submit data via a web portal	Employers being on boarded regularly from 2017/18 onwards	
3.5	Issue monthly return submission queries to Employer and/or payroll provider (validation stage)	Accepted or Rejected email sent to Employer within 1 month	
3.6	Query list sent to Employer and/or Payroll Provider requesting information re Monthly Return (processing stage) Page 140 of 17	Query list sent to Employer within 20 working days of return being accepted at validation stage 76	

Function/task		Expectation
4)	Member information and general administration	
4.1	Produce annual benefit statements for Active Members as at 31 March	By 31 August following the year-end
4.2	Produce annual benefit statements for Deferred Members as at pensions increase date in April	By 30 June following pensions increase date
4.3	Produce and issue pension savings statements each year to Members who have exceeded their standard annual allowance	By 6 October following the end of the tax year, (provided receipt of all relevant information from the Scheme Employer)
4.4	Issue P60s to pensioners and beneficiaries	By 31 May following the year-end
4.5	Publish and keep up to date all forms required for completion by Scheme Members or Employers	Publish within 30 days from any revision
4.6	Letters/e-mails from Members (or Member's representatives)	Answer or acknowledge within 5 working days

Performance measurement and key tasks

- 3.2.2 The Fund monitors its performance against the following tasks and a number of the key tasks are also benchmarked annually against industry standard performance indicators. The benchmarking also compares the Fund's performance against other LGPS Funds as part of the CIPFA benchmarking club. The Fund's performance against these key tasks, and its performance comparative to other Funds, is reported to the PSB and is included in the Fund's Annual Report & Accounts.
- 3.2.3 The table below set out the Fund's performance indicators in relation to processing Scheme Member records and benefits and the separate table on page 16 sets out the key performance indicators which are benchmarked annually. The Fund aims to maintain performance at 100% in respect of annual benefit statements, 95% in respect of key performance indicators and 90% in respect of other performance indicators.

Performance Measurement

Performance Area		Measurement
1)	New joiners & changes	
1.1	Set up a new starter and provide statutory notification	Portal submissions Within 5 working days of receipt of correct data file from Employer Monthly Return submissions Within 20 working days of receipt of correct data file from Employer
1.2	Changes to a Member's details	Within 20 working days of receipt of notification from Employer
2)	Transfers	
2.1	Transfer-in quotations processed	Within 10 working days of receipt of all the required information
2.2	Transfer notification of transferred-in membership to be notified to the Scheme Member	Within 10 working days of receipt of payment
2.3	Transfer-out quotations processed	Within 10 working days of receipt of all the required information
2.4	Transfer-out payments processed	Within 20 working days of receipt of all the required information
2.5	Provision of estimate for divorce purposes	Within 15 working days of written request
3)	Additional contributions	
3.1	Notify the Scheme Employer of any Scheme Member's election to pay additional pension contributions (APCs), including all required information to enable deductions to commence	Within 10 working days of receipt of election from a Scheme Member
3.2	Process Scheme Member requests to pay/amend/ cease additional voluntary contributions (AVCs) Page 142 of 1	Within 5 working days of receipt of request from a Scheme Member

Performance Area		Measurement
4)	Leavers	
4.1	Notify Members of their deferred options	Within 10 working days of receipt of the leaver notification
4.2	Deferred benefits calculated	Within 10 working days of receipt of all necessary information
4.3	Deferred benefits processed for payment following receipt of election	Within 5 working days from receipt of all necessary information
4.4	Refund payments	Within 5 working days from receipt of all necessary information
5)	Retirements	
5.1	Provision of retirement options to Members	Within working 10 days of the later of (i) the Member's leaving date or (ii) receipt of all necessary documentation
5.2	New retirement benefits processed for payment following receipt of election	Lump-sum payment within 5 working days of receipt of all necessary documentation First pension payment on next
<i>-</i>	Ohan was to bank datails was da	available payroll run
5.3	Changes to bank details made	By next payroll cut-off date
6)	Deaths	
6.1	Acknowledgement of a death	Within 5 working days of receiving the notification.
6.2	Notification of benefits payable to dependents will be issued	Within 5 working days of receiving the required information
6.3	Payment of death lump-sum will be made	Within 10 working days of receipt of all the required information

Performance Area		Measurement
7)	Customer service	
7.1	Calls received to the customer helpline to be answered	85% of calls received to the customer helpline to be answered within 5 rings
7.2	Calls received to the Employer helpline to be answered	85% of calls received to the Employer helpline to be answered within 5 rings
7.3	Provide an answer or acknowledgement to Scheme Members/Scheme Employers/ personal representatives/dependents and other authorised persons	Within 10 working days from receipt of enquiry

Key tasks

3.2.4 The following key tasks are benchmarked annually against the performance other LGPS Funds as part of the CIPFA benchmarking club. The Fund's performance against these key tasks, and its performance comparative to other Funds, is reported to the PSB and is also included in the Fund's Annual Report & Accounts.

	Performance Area	Standard
1	Transfer In - letter detailing transfer in quote	2 months
2	Transfers Out – letter detailing transfer out quote	2 months
3	Refund – process and pay refund	2 months
4	Deferment – calculate and notify deferred benefits	2 months
5	Retirements - Letter notifying estimate of retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Active)	2 months
6	Retirements - Letter notifying estimate of retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Deferred)	2 months
7	Retirements - Letter notifying actual retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Active)	2 months

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	Performance Area	Standard
8	Retirements - Letter notifying actual retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Deferred)	2 months
9	Retirements - Process and pay lump sum retirement grant (including all retirement types; normal, ill health, early, late etc.). (Active)	2 months
10	Retirements - Process and pay lump sum retirement grant (including all retirement types; normal, ill health, early, late etc.). (Deferred)	2 months
11	Deaths - Initial letter acknowledging death of Active/ Deferred/Pensioner Member	2 months
12	Deaths - Letter notifying amount of dependent's benefit	2 months
13	Divorce Quote - Letter detailing cash equivalent value and other benefits	3 months
14	Divorce Settlement - Letter detailing cash equivalent value and application of Pension Sharing Order	3 months
15	Joiners - Send notification of joining the LGPS to Scheme Member	2 months
16	Deferred into Pay - Process and pay lump sum retirement grant	2 months

4. Achieving the Objectives

- 4.1 There are currently in excess of 700 Employers in the Fund differing in size, structure and capability which represents a significant logistical challenge to the management of information, processes and services within the Fund. The number of Employers in the Fund continues to grow as does the demand for more accurate and timely information. We need to meet the expectations and demands of Scheme Members and comply with the data requirements of ever-increasing scrutiny both at a local and national level. Furthermore, the Pensions Regulator has introduced higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.
- 4.2 There are four key elements necessary to achieving the Fund's Administrative Objectives:

Communications

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all Stakeholders. To this end, the Funds' Communications Strategy is already well developed providing a wide range of solutions for all parties. However, with the increasing number of Scheme Employers and membership creating an increased need for information, the Fund is developing its Communications Strategy, embracing technology to enable both Member and Employer online access to the administration system.

Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments providing guidance, training and workshops for Employers and the Fund's staff alike when new Regulations are implemented or are under consideration.

Additionally, guidance and training are offered on an ongoing basis to new Scheme Employers or relevant new HR/Payroll staff. With this in mind, it is important that both Employers and the Fund ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes.

Notwithstanding future changes, there is an ongoing need to continuously maintain the quality of Member records and the administrative processes by improving the quality of information received from Employers.

The Fund's guidance and training aims are therefore:

- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes by working with Employers' Human Resources, Payroll and other staff to identify relevant skills and knowledge gaps and provide appropriate guidance and training;
- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of Member pension records and if they fail to discharge their discretionary functions;

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 To continually develop the technical skills and competencies of the Fund's staff and retain knowledge in the application of historic regulations.

The Fund will provide guidance and training for Employers' relevant staff, to build up and maintain a level of professional expertise which together with the Employer's own systems and processes will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

The primary contact at the Employer has an important role to play in ensuring both they and other relevant staff (or their successor) build up and retain sufficient knowledge and skills to enable the Employer to comply with its statutory LGPS duties.

Information & Communications Technology

As part of its digital ambitions, the Fund has invested in upgraded software which has the facility to enable Employers to submit data online, via a web portal enabling Employers to review and update their staff's individual Member records or notify the Fund of changes in their employment details.

This development allows Employers to submit certain changes, notifications and requests online, including Joiners, 50/50 switches, Changes of Address, Changes of Personal Circumstances, Changes of Hours and Breaks in Service, Early Leaver Notifications, Estimate Requests, General Queries, Leaver Notifications, Maternity Commencement and Return and Opt outs within 3 months.

The ambition is to eventually have all Fund Employers submitting data electronically via the Portal.

Performance standards

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme. The Scheme itself sets out a number of requirements for the Administering Authority or Scheme Employers to provide information to each other, Scheme Members and prospective Scheme Members, dependants, other pension arrangements or other regulatory bodies.

The locally agreed performance standards, covered in section 3 above, cover all aspects of the administration of the Scheme and, where appropriate, go beyond the overriding legislative requirements.

The Administering Authority and Scheme Employers will ensure that all functions/ tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- work to be completed and submitted in the required format and/or on the appropriate forms;
- information to be legible and accurate;
- communications to be in a plain language style;
- information provided to be checked for accuracy by an appropriately trained Member of staff before submission; Page 147 of 176

- information submitted to be appropriately authorised; and
- actions carried out, or information provided, within the timescales set out in this Strategy document.

For the avoidance of doubt "accuracy" in this Strategy is defined as when we have received a completed form/data with no gaps in mandatory areas and with no information which is either contradictory within the document or which we need to query.

The timeliness relates to a date of event being either the date the Member started or left the Fund or any other material change that affects a Scheme Member's pension record.

5. Procedures for ensuring Compliance

- 5.1 Ensuring compliance is the responsibility of the Administering Authority and Scheme Employers. We will work closely with all Scheme Employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy.
- 5.2 We will also work with Employers to ensure that overall quality and timeliness is continually improved. Various means will be employed, to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

Performance monitoring

- 5.3 The Employer should monitor its own performance against its Scheme Employer duties & responsibilities and seek to improve its performance where it is not achieving the required level of performance.
- 5.4 The Fund will also monitor the Employer's performance against the agreed performance levels and will work closely with Employers in identifying any areas of poor performance, provide the opportunity for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.
- 5.5 The Fund will also monitor its own performance against its administering authority duties and responsibilities. The Fund participates each year in the CIPFA Benchmarking Club to measure its performance against other LGPS Funds and performance against key performance indicators are reported to the PSB and included in the Fund's Annual Report & Accounts.

Unsatisfactory performance

5.6 Where persistent and ongoing failure occurs and no improvement is demonstrated by an Employer, and /or unwillingness is shown by the Employer to resolve the identified issue (s), the following sets out the steps we will take in dealing with the situation in the first instance:

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- The Fund will contact and/or meet with the Employer to discuss the area(s) of poor performance and how they can be addressed;
- An Improvement Plan will be agreed setting out the improvements required and a timescale for achieving those improvements;
- Where no improvement has been demonstrated by the Employer within the agreed timescale, or where there has been a failure to take agreed action by the Employer, the Fund will issue a formal written notice to the Employer setting out the area(s) of poor performance that has been identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed;
- The Fund will clearly set out the calculations of any loss or additional costs resulting to the Fund, taking account of time and resources in resolving the specific area of poor performance; and
- The Fund make a claim against the Scheme Employer, setting out the reasons for doing so, in accordance with the Regulations.

6. Work not included in the Administration Charge (and for which the Fund will make an additional charge)

The following table details work which the Fund may do for Scheme Employers, but which is not covered by the administration charge. This may be because there is no statutory requirement for the Fund to do the work or because not all Employers require the work to be done. As such work is not included in the administration charge, the following additional charges will apply:

Description of Activity	Work done which is not covered by Admin Charge	Additional charge		
IAS19/FRS17 production for accounts	All work relating to IAS19/FRS17 production for accounts Nb. this is in addition to the Actuary's charges	£165-£660 depending on no. of Members Additional Officer time can be charged for additional auditor enquiries.		
Late payment of contributions (Ees/Ers/deficit) & late submission of return	Receipt of income late - regulations require within 19 days of end of the month.	£66 for late payment (includes part paymen being paid late, e.g. deficit) £66 for late submission of return		
Working out average hours for a Scheme Member	Working out average hours for a Scheme Member (an Employer duty)	£22 per Member/per Scheme Year		
Coding changes for CAYs/ teachers compensation	Input new code on pension payroll	£110 < 100 Members £165 100-250 Members £220 > 250 Members		
Early Retirement Estimates (1 st for that Member in the calendar year)	Accelerated turnaround time	A charge will usually only be made if, in the Fund's view, excessive requests are being made by a Scheme Employer: 2 - 3 week turnaround - No charge 1 - 2 week turnaround - £27.50 per estimate < 1 week turnaround - £55 per estimate		

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Description of Activity	Work done which is not covered by Admin Charge	Additional charge
Early Retirement Estimates (Additional requests in calendar year)	Provision of additional early retirement estimates	A charge will usually only be made if, in the Fund's view, excessive requests are being made by a Scheme Employer: 2 - 3 week turnaround – £27.50 per estimate 1 - 2 week turnaround - £55 per estimate < 1 week turnaround - £82.50 per estimate
Bulk early retirement estimates E.g. Running report to capture pension, lump sum, strain for everyone over age 55	Bulk early retirement estimates	3 week turnaround - £715
TUPE & Outsourcings - Admission body process (including relets)	Any work relating to a Fund Employer tendering or outsourcing a service, TUPE transferring staff and contractor/ community body entering into admission agreement with the Fund. Nb. this is in addition to the Actuary's report fee	Charge is 25% of the actuary's fee for the risk and contribution report. Charge includes: Generic guidance of the process Provision of standard draft agreements Reasonable cleansing of records Providing data to the Actuary Liaising with the Actuary 60 minutes of Officer support & guidance by phone, e-mail or in person Sealing of agreements by ECC Provision of copy of sealed agreements to all parties Amendment of UPM records Any additional work necessary, such as amendments to the standard draft admission agreement, will be chargeable at £55 - £110 per hour depending on which Officer does the work

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Description of Activity	Work done which is not covered by Admin Charge	Additional charge
Academy conversions/ free schools	Any work relating to the conversion of a school to Academy status or the setting up of a free school. Nb. this is in addition	15% of the Actuary's fee
	to the Actuary's report fee.	
	Any work in relation to reviewing a bond level	
Bond Review	Nb. this is in addition to the Actuary's report fee.	15% of the Actuary's fee
Internal fund transfers	Any work in relation to an internal transfer of Members between Employers in the Fund	15% of the Actuary's fee
	Nb. this is in addition to the Actuary's report fee.	
Non- standard Actuarial work	Non-standard actuarial work instigated by, or because of the actions of, the Employer – e.g. bespoke requests	15% of the Actuary's fee
	Nb. this is in addition to the Actuary's report fee.	
Cessation work when an	All work in relation to the cessation of an Employer exiting the Fund	20% of the Actuary's fee
Employer exits the Fund	Nb. this is in addition to the Actuary's report fee.	

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Description of Activity	Work done which is not covered by Admin Charge	Additional charge
Accelerating work - Employer asking for work to be done quicker than normal agreed turnaround times	Prioritising work over other work	Charge will depend on how many cases to be accelerated and how quickly turnaround is required
Assistance with wording of the Employer's communications or policies etc	Writing/Re-writing Employer communication	Chargeable at £55 - £110 per hour depending on which Officer does the work

Nb. Any charges shown as a cash amount will be reviewed periodically and any revised charges published in an updated version of this Strategy.

7. Approval and Review

7.1 This Administration Strategy was approved on ******** by the PSB. It will be formally reviewed and updated by the PSB at least every three years or sooner if Administration arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

8. Further Information

If you require further information about the Fund's Administration Strategy, please contact:

David Tucker, Technical Hub Manager, Essex Pension Fund Email – <u>David.tucker@essex.gov.uk</u>

Jody Evans, Director for Essex Pension Fund Email – <u>Jody.evans@essex.gov.uk</u>

Essex Pension Fund Seax House County Hall Chelmsford Essex CM1 1QH

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Essex Pension Fund Monthly Returns

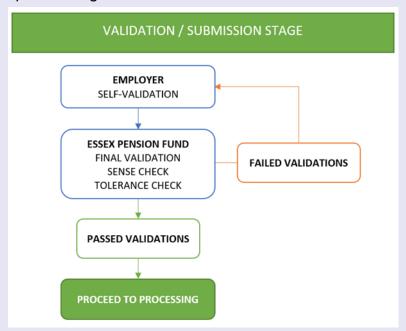
Policy on charging for late and/or inaccurate returns

Effective date: 01/04/2022

An accurate return must be submitted in the approved format no later than the end of the following month. For example, information for March to be submitted by the end of April.

- If a Return is late and/or contains errors, or data omissions are identified, then charges can be incurred by an Employer at both the Validation/Submission stage and at the Processing stage.
- Any charges incurred by Employers for either stage will be invoiced at the earlier of (i) within 1 month of correct data being received or (ii) 3-month anniversary of deadline.

Details of the two acceptance stages are outlined below:



- Employers will be expected to undertake many of the formatting and tolerance checks themselves, by using the self-validation facility built into the monthly return spreadsheet, before they submit their Return.
- Any Return submitted with Red or Amber validation errors without explanatory comments, or not submitted on the correct layout provided for the month in question, will be rejected and returned to be corrected and resubmitted.
- Correctly submitted Returns will then be subject to additional validation and tolerance checks by Officers which must be passed before the return can be accepted and proceed to the Processing stage.

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Essex Pension Fund Monthly Returns

No Submission Charge if:

 the Return is received by the end of the month following the submission month and passes the validation and tolerance checks within 10 working days of original rejection.

Submission Charge if:

- the Return is received by the end of the month following the submission month and does not pass the validation and tolerance checks within 10 working days of original rejection, or
- the Return is received after the end of the month following the submission month.

Submission Charge Doubled if:

Accurate data is not received within 3 months of the deadline, and Submission Charge B

will apply.

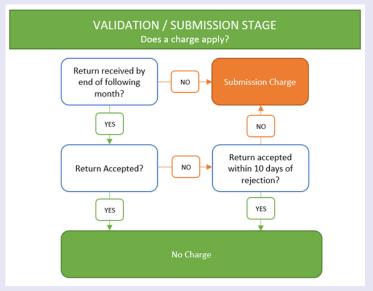
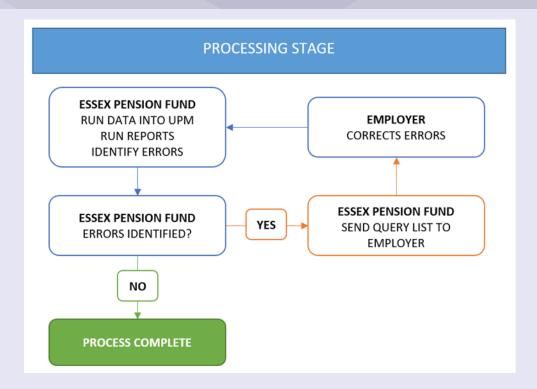


Table 1: Validation / Submission Stage Charges							
Number of Members on file	Submission Charge A	Submission Charge B					
1 to 25	£25.00	£50.00					
26 to 50	£50.00	£100.00					
51 to 100	£100.00	£200.00					
101 to 250	£175.00	£350.00					
251 to 500	£275.00	£550.00					
501 tot 1000	£400.00	£800.00					
1001 to 5000	£550.00	£1100.00					
5001 to 10000	£725.00	£1450.00					
10000+	£925.00	£1850.00					

These charges will be increased each April by the previous September's Consumer Price Index (CPI) annual inflation figure

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Essex Pension Fund Monthly Returns



- Data provided on the Return is run into the administration system to identify any errors on the individual data lines (e.g. missing starter or leaver notifications).
- If any errors/omissions/queries are identified, a list of these will be sent to the Employer and the Employer will be given 14 calendar days to rectify the errors/omissions/queries.
- If the errors/omissions/queries are not rectified within 14 calendar days from notification by the Fund, there will be a Processing Charge.
- The Processing charge will be based on the number of errors, omissions and queries in the list sent to the Employer and the level of charges is shown in Table 2.
- If completely correct data is not received within 28 calendar days from notification by the Fund, the charge will be doubled, and Processing Charge B will apply.

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Essex Pension Fund Monthly Returns

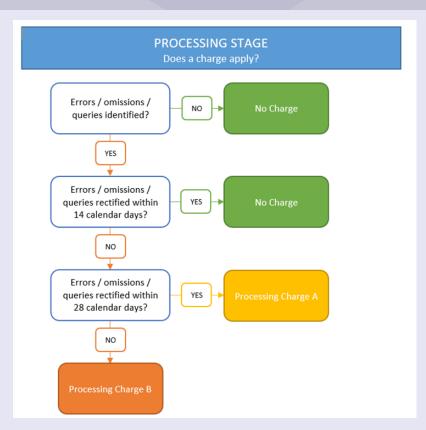


Table 2 – Processing stage charges							
No. of errors, omissions & queries	Processing Charge A	Processing Charge B*					
1 – 10	£60.00	£120.00					
11 – 20	£120.00	£240.00					
21 – 30	£180.00	£360.00					
31 – 40	£240.00	£480.00					
41 – 50	£300.00	£600.00					
51 – 100	£600.00	£1,200.00					
101 – 250	£1,500.00	£3,000.00					
251 – 500	£3,000.00	£6,000.00					
501 – 750	£4,500.00	£9,000.00					
751 – 1000	£6,000.00	£12,000.00					
1001+	£8,000.00	£16,000.00					

If the original data supplied turns out to be correct or a query is resolved within deadlines then that query will be deducted from number of errors, omissions and queries used to determine the charge

These charges will be increased each April by the previous September's Consumer Prices Index (CPI) annual inflation figure

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Additional charges

Additional charges will be incurred by an Employer if correct returns are submitted too late;

- to be included in the annual benefit statements (ABS) run, or
- for correct data to be included in the annual submission/return to the Actuary, Government Actuary's Department or the LGPS Scheme Advisory Board.

Also, if the Fund should incur a fine from the Pensions Regulator as a result of an Employer action or inaction then the Employer will be required to reimburse the Fund for the amount of the fine.

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Essex Pension Fund Strategy Board	PSB 07	10
Date: 15 December 2021		

2021 Actuarial Interim Review

Report by the Fund Actuary

Enquiries to Sara Maxey on 03330 138496

This Report is for noting

Executive Summary

The Report provides the outcome of the Interim Review undertaken by the Fund's Actuary as at 31 March 2021, and indicates that the Funding Level has improved since the last Review undertaken and now stands at 98.8%, this was mainly due to higher-than-expected investment returns.

No changes are required to contribution rates ahead of the 2022 Valuation.

1. Purpose of the Report

1.1 To present to the Board an updated Interim Review undertaken by Graeme Muir, Fund Actuary as at 31 March 2021.

2. Recommendations

2.1 That the Board note the content of the report.

3. Background

- 3.1 A Full Actuarial Valuation is undertaken every three years in accordance with the Local Government Pension Scheme (LGPS) Regulations.
- 3.2 The Fund's 2021/22 Business Plan requires the Fund to obtain an Interim Review in the intervening years to ensure no changes to Employer contributions are required.

4. Interim Review 31 March 2021

- 4.1 The Actuary has now completed this Review and the Report is attached at Appendix A. This indicates that the Funding Level has increased from 96.2% to 98.8% in the 12 months to 31 March 2021.
- 4.2 At the 15 December 2021 Board meeting, the Actuary will take Members through a presentation regarding the Interim Funding Review, with the opportunity for questions and discussion.

5. Funding Strategy Statement

- 5.1 The Fund Actuary and Fund Officers do not recommend that any changes to the Funding Strategy Statement (FSS) are required following the outcome of the Interim Review.
- 5.2 A full review of the Funding Strategy will take place alongside the March 2022 Valuation process.

6. Link to Essex Pension Fund Objectives

- 6.1 Prudently set levels of Employer contributions that aim to achieve a fully funded position in the timescales determined in the FSS.
- 6.2 Recognise in drawing up its Funding Strategy the desirability of Employer contribution rates that are as stable as possible.
- 6.3 To manage Employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption, where necessary, of Employer specific funding objectives.

7. Risk Implications

- 7.1 Reviewing both the Interim Funding Review as at 31 March 2021 in conjunction with the FSS are intended to monitor progress towards achieving assets equal to 100% of liabilities.
- 7.2 The risk implications of setting the Funding Strategy are set out within the FSS.

8. Finance and Resources Implications

8.1 Maintaining the existing Funding Strategy (as is proposed at 5.1) will mean there is no change to the financial arrangements determined by the 2019 Actuarial Valuation.

9. Background Papers

- 9.1 The published FSS and 2019 Actuarial Valuation can be found at:
 - https://www.essexpensionfund.co.uk/resources/funding-strategy-statement-2020/
 - https://www.essexpensionfund.co.uk/resources/valuation-report-2019/
- 9.2 Funding Update Report as at 31 March 2021, Appendix A.
- 9.3 2020 Actuarial Interim Review, PSB 08, 16 December 2020.



Essex Pension Fund

Funding update report as at 31 March 2021

Barnett Waddingham LLP

22 November 2021



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Introduction

Essex County Council, as administering authority for the Essex Pension Fund (the Fund), has asked that we carry out an annual monitoring assessment of the Fund as at 31 March 2021. The purpose of this assessment is to provide an update on the funding position.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 (the Regulations).

We have taken account of current LGPS Regulations (as amended) as at the date of this report.

On 13 May 2021 the Government issued a ministerial statement on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases relating to age discrimination. The statement confirms that changes will be made to the LGPS Regulations to compensate members directly affected by the change to career average benefits from 1 April 2014. The Government's intention is that regulations will come into force on 1 April 2023 or possibly 1 October 2023, and draft regulations are expected in 2022. An allowance consistent with that adopted for the Fund's 31 March 2019 valuation has been made for the expected changes in LGPS benefits, details of which can be found in the Changes in market conditions – market yields and discount rates section.

The information in this report is addressed to and is provided for use by Essex County Council as the administering authority to the Fund. This report may be shared with other interested parties but it does not constitute advice to them.

This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.



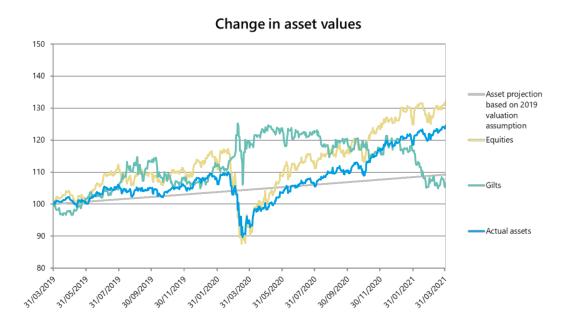
Assets

The estimated (unsmoothed) market value asset allocation of the Essex Pension Fund as at 31 March 2021, based on data received from Essex County Council, is as follows:

Assets (market value)	31 March 2021		31 March 2020		31 March 2019	
	£000s	%	£000s	%	£000s	%
Equities	5,528,201	63%	3,871,288	58%	4,385,834	62%
Gilts	222,663	3%	285,066	4%	391,041	6%
Other bonds	425,110	5%	400,724	6%	404,594	6%
Property	615,862	7%	594,737	9%	609,876	9%
Cash/temporary investments	220,131	3%	287,837	4%	183,309	3%
Alternative Assets	1,004,417	11%	762,729	12%	687,026	10%
Other managed funds	722,752	8%	425,244	6%	365,608	5%
Total assets	8,739,136	100%	6,627,625	100%	7,027,288	100%

The investment return achieved by the Fund's assets in market value terms for the year to 31 March 2021 is estimated to be 29.3%. The return achieved since the previous valuation is estimated to be 23.6% (which is equivalent to 11.2% p.a.).

The following chart shows the changes in equity and bond markets since the previous actuarial valuation and compares them with the estimated actual fund returns and the expected fund returns assumed at the previous valuation:



As we can see the asset value as at 31 March 2021 in market value terms is more than where it was projected to be at the previous valuation.



For funding purposes, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the six month period around 31 March 2021. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

Changes in market conditions - market yields and discount rates

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2019 actuarial valuation, updated where necessary to reflect market conditions, except for the inflation assumption which has been updated in light of new market information. Following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030, it has been agreed with the administering authority that CPI inflation will be 0.8% p.a. below the 20 year point on the Bank of England implied inflation curve with effect from 31 December 2020. This has been updated from the assumption at the 2019 valuation where this gap was assumed to be 1.0% p.a. We have implemented this change and smoothed it into our assumptions over the six month period straddling this date (consistent with the Fund's existing funding approach) and this results in an overall assumption that CPI inflation will be 0.8% p.a. below the 20 year point on the Bank of England implied inflation curve as at 31 March 2021. Further details of this update are available on request.

The following table show how the main financial assumptions have changed since the last triennial valuation:

	31 March 2021		31 March 2020		31 March 2019	
Assumptions (smoothed)	Nominal	Real	Nominal	Real	Nominal	Real
	% p.a.		% p.a.		% p.a.	
Pension increases (CPI)	2.66%	-	2.20%	-	2.65%	-
Salary increases	3.66%	1.00%	3.20%	1.00%	3.65%	1.00%
Discount rate	3.87%	1.22%	4.07%	1.87%	4.51%	1.86%

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. Consistent with the method adopted for the 31 March 2019 valuation, we have included in the discount rate assumption an explicit prudence allowance of 1.3%. This includes an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

As noted in the Introduction, the final remedy in response to the McCloud/Sargeant judgement will only be known once the Government's consultation is finalised and a final set of remedial Regulations are published. Furthermore, it is also not known yet what benefit changes in addition to the McCloud remedy (if any) may be made in light of the results of the cost cap process.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) - the higher the real discount rate the lower the value of liabilities. As we



see, the real discount rate is lower than at the 31 March 2019 valuation, increasing the value of liabilities used for funding purposes.

Results

The funding position for each month has been rolled forward from the formal valuation and is shown in Appendix 1. It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.

The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 March 2021 is 98.8% and the average required employer contribution would be 25.7% of payroll assuming the deficit is to be paid by 31 March 2032. The total employer contribution rate of 25.7% comprises of a primary rate of 24.7% and a secondary rate of 1.0%.
- This compares with the reported (smoothed) funding level of 97.0% and average required employer contribution of 21.9% of payroll at the 31 March 2019 funding valuation. The total employer contribution rate of 21.9% comprises of a primary rate of 20.0% and a secondary rate of 1.9%.

The discount rate underlying the smoothed funding level as at 31 March 2021 is 3.9% p.a. The investment return required to restore the funding level to 100% by 31 March 2032, without the employers paying deficit contributions, would be 4.0% p.a.

The funding level has improved since the last valuation. The main reason for this are the higher than expected Fund returns which have now more than made up for the fall in asset values following the start of the Covid 19 pandemic at the start of 2020. However, the total contributions required have increased mainly due to a reduction in the discount rate net of inflation.

The reduction in the discount rate is in part due to the suspension or reduction in equity dividends in the early months of the pandemic. The following chart shows how UK and global dividends have changed since the start of the pandemic in March 2020.



As we see dividends declined rapidly but have been recovering in the last 6 months as companies resume paying more "normal" levels of dividend. We will continue to monitor this in the run up to the next valuation as at March 2022. The funding model uses global dividends as the income component in the equity return model



which is still 5% less than where it was in March 2020. As with all aspects of the funding model we will be reviewing this aspect of the model to ensure it reflects long term expectations and is not being distorted by short term factors.

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk, financial risks (including inflation and investment risk) and regulatory risks. There is more detail on this contained within the Fund's Funding Strategy Statement and the 31 March 2019 actuarial valuation report.

Note that the funding position at a future date will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

We would be pleased to answer any questions arising from this report.

Graeme D Muir FFA

Partner

Barnett Waddingham LLP



Appendix 1 Financial position since previous valuation

Below we show the financial position on a smoothed basis for each month since the previous full valuation. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures for the previous three months are projected numbers and likely to change up until three months after the reporting date.

Please note that the results shown below are sensitive to the underlying assumptions. For example, increasing the discount rate assumption by 0.5% will increase the funding level by about 10%, and increasing the CPI inflation assumption by 0.5% will reduce the funding level by about 9%.

Smoothed results	Assets (incl. volatility reserve deduction)	Liabilities	Surplus / (Deficit)	Funding level	CARE ongoing cost	Past service ctbn	Total ctbn	Discount rate	Return required to restore funding level
Valuation date	£000s	£000s	£000s	%	% of pay	% of pay	% of pay	% p.a.	% p.a.
31 Mar 2019	6,711,392	6,917,143	(205,751)	97%	20.0%	1.9%	21.9%	4.5%	4.7%
30 Apr 2019	6,757,048	6,992,002	(234,954)	97%	20.3%	2.1%	22.4%	4.5%	4.7%
31 May 2019	6,838,037	7,041,013	(202,976)	97%	20.4%	1.8%	22.2%	4.4%	4.7%
30 Jun 2019	6,879,470	7,084,235	(204,765)	97%	20.5%	1.8%	22.3%	4.4%	4.6%
31 Jul 2019	6,859,096	7,110,517	(251,421)	96%	20.5%	2.2%	22.7%	4.4%	4.6%
31 Aug 2019	6,906,350	7,148,569	(242,219)	97%	20.6%	2.2%	22.8%	4.3%	4.6%
30 Sep 2019	6,941,403	7,183,781	(242,378)	97%	20.7%	2.2%	22.9%	4.2%	4.5%
31 Oct 2019	7,027,276	7,223,437	(196,161)	97%	20.7%	1.8%	22.5%	4.2%	4.4%
30 Nov 2019	7,093,226	7,268,839	(175,613)	98%	20.8%	1.6%	22.4%	4.1%	4.3%
31 Dec 2019	7,015,019	7,203,388	(188,369)	97%	20.4%	1.7%	22.1%	4.1%	4.3%
31 Jan 2020	6,874,759	7,166,062	(291,303)	96%	20.1%	2.7%	22.8%	4.1%	4.4%
29 Feb 2020	6,871,422	7,154,422	(283,000)	96%	19.9%	2.6%	22.5%	4.1%	4.4%
31 Mar 2020	6,900,714	7,173,612	(272,898)	96%	19.9%	2.6%	22.5%	4.1%	4.4%
30 Apr 2020	6,799,962	7,196,882	(396,920)	94%	19.9%	3.5%	23.4%	4.0%	4.5%
31 May 2020	6,820,279	7,251,019	(430,740)	94%	20.1%	3.8%	23.9%	4.0%	4.5%
30 Jun 2020	6,972,716	7,416,835	(444,119)	94%	20.8%	4.0%	24.8%	4.0%	4.5%
31 Jul 2020	7,106,449	7,587,242	(480,793)	94%	21.4%	4.3%	25.7%	3.9%	4.5%
31 Aug 2020	7,353,494	7,731,909	(378,415)	95%	22.0%	3.4%	25.4%	3.9%	4.3%
30 Sep 2020	7,452,437	7,865,965	(413,528)	95%	22.5%	3.7%	26.2%	3.8%	4.3%
31 Oct 2020	7,625,445	7,990,027	(364,582)	95%	23.0%	3.3%	26.3%	3.8%	4.2%
30 Nov 2020	7,784,548	8,081,843	(297,295)	96%	23.3%	2.7%	26.0%	3.8%	4.1%
31 Dec 2020	7,897,392	8,191,596	(294,204)	96%	23.6%	2.7%	26.3%	3.8%	4.1%
31 Jan 2021	8,056,822	8,320,757	(263,935)	97%	24.1%	2.4%	26.5%	3.8%	4.1%
28 Feb 2021	8,297,012	8,423,170	(126,158)	99%	24.5%	1.2%	25.7%	3.8%	4.0%
31 Mar 2021	8,413,097	8,516,876	(103,779)	99%	24.7%	1.0%	25.7%	3.9%	4.0%



Appendix 2 Data, method and assumptions

Data

In completing our calculations we have used the following items of data, which we received from Essex County Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes;
- Actual whole Fund income and expenditure items for the period to 31 March 2021; and
- Actual Fund returns based on Fund asset statements provided to 31 March 2021, and Fund income and expenditure as noted above.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purpose of this report.

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Method

To assess the value of the Fund's liabilities as at 31 March 2021, we have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2019 using the financial assumptions below and actual cashflows paid to and from the Fund.

It is not possible to assess the accuracy of the estimated value of the liabilities as at 31 March 2021 without completing a full valuation. However, we are satisifed that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material assumptions in the results provided that the actual experience of the Fund is broadly in line with the underlying assumptions and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

We have been provided with the Fund assets at various dates but for dates that these are not available, we calculate the Fund assets by rolling forward the previous assets provided allowing for investment returns (estimated where necessary), and actual cashflows paid to and from the Fund. The latest date that we have been provided with the Fund assets is 31 March 2021.

Assumptions

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2019 actuarial valuation, updated where necessary to reflect market conditions, except for the inflation assumption which has been updated in light of new market information.

Following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030, it has been agreed with the administering authority that CPI inflation will be 0.8% p.a. below the 20 year point on the Bank of England implied inflation curve with effect from 31 March 2021. This has been updated from the assumption at the 2019 valuation where this gap was assumed to be 1.0% p.a. We have implemented this change and smoothed it into our assumptions over the six month period straddling this date (consistent with the Fund's existing funding approach) and this results in an overall assumption that CPI



inflation will be 0.8% p.a. below the 20 year point on the Bank of England implied inflation curve as at 31 March 2021. Further details of this update are available on request.

A summary of the main financial assumptions adopted is set out in the main body of this report.

As noted in the Introduction, an allowance has been made for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap). This is allowed for in the prudence allowance in the ongoing discount rate.

At the time of producing this report the outcome of the effects relating to the McCloud/Sargeant judgement are still to be agreed upon. The final remedy in response to the judgement will only be known once the Government's consultation is finalised and a final set of remedial Regulations are published. Furthermore, it is also not known yet what benefit changes in addition to the McCloud remedy (if any) may be made in light of the results of the cost cap process.

The main demographic assumptions are:

- The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 115% for females.;
- The dependant post retirement mortality tables adopted are the S3DA tables with a multiplier of 95% for males and 105% for females.

These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a, a smoothing parameter of 7.5 and an initial addition parameter of 0.5% p.a.

The other key demographic assumptions are:

- Members retire at a single age, based on the average age at which they can take each tranche of their pension; and
- It is assumed that members will exchange 50% of their commutable pension for cash at retirement.

Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

Essex Pension Fund Strategy Board	PSB 08
Date: 15 December 2021	

Schedule of Future Meetings and Events

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

This Report requires a decision

Executive Summary

The 2022/23 dates have been provided for the Board's agreement along with a reminder of the upcoming Meetings and training events for the remainder of this municipal year.

1. Purpose of the Report

- 1.1 To provide the Board with an update on the schedule of future meetings and events.
- 1.2 To propose a schedule of PSB meeting dates for the new 2022/23 municipal year.

2. Recommendation

- 2.1 That the Board **agree**:
 - the proposed PSB meeting dates for 2022/23 as detailed in Section 6; and
 - to note the content of the report.

3. Background

3.1 The Board were made aware, at their meeting on 18 December 2019, that future meetings and events would be brought to each meeting to ensure, where applicable, the process of approval by the Foreign Travel Committee for attendance at any conferences/seminars is incorporated within the Committee's timetable.

4. Upcoming Event(s)

- 4.1 Following the easing of some Covid-19 restrictions, more face-to-face Conferences and Seminars are starting to be advertised. However, the Fund also needs to be mindful of the most current advice and guidance being communicated from Essex County Council which is to consider the nature and importance of the Conference/Seminar before advertising these to Members to attend.
- 4.2 Therefore, Fund Officers will ensure a review of the advertised Conference/Seminar is carried out in line with the Knowledge and Skills Strategy taking into consideration individual's Training Needs Analysis and will communicate any suitable Conferences either through emails and/or this Agenda Item.
- 4.3 Members should also note that the pandemic has created a new approach to some Conferences/Seminars where they are now utilising a hybrid approach or in some cases 100% virtual. As and when any appropriate Webinars and/ or hybrid options are announced, the Compliance Team will provide the Board with a communication to invite all Members to register for the event should they wish to do so.
- 4.4 As this present time, the Compliance Team have not been made aware of any suitable forthcoming conferences or seminars for the Board to consider.

5. Schedule of Meetings

5.1 The schedule of meetings for the municipal year 2021/22 are as follows:

Pension Strategy Board		
Wednesday 23 March 2022	10am – 1pm*	

^{*} This meeting date is subject to change, depending on take up of an Investment Conference for Members of the ISC.

Investment Steering Committee	
Wednesday 23 February 2022	10am – 1pm

Training Days		
EPF Back to Basics	31 January 2022 (timings tbc)	

6. Proposed 2022/23 Schedule of Meetings

6.1 The proposed schedule of meetings for the new municipal year 2022/23 are as follows:

Pension Strategy Board		
Wednesday 06 July 2022	10am – 1pm – to be agreed	
Wednesday 21 September 2022	10am – 1pm – to be agreed	
Wednesday 07 December 2022	10am – 1pm – to be agreed	
Wednesday 22 March 2023	10am – 1pm – to be agreed	

- 6.2 The Fund will hold an Annual Back to Basics Training Day with the date yet to be confirmed.
- 6.3 In addition, the Essex Pension Fund Advisory Board will continue to meet on the same day as the PSB with a start time of 2pm.
- 6.4 The 2022/23 Investment Steering Committee meeting dates agreed at their 29 November 2021 meeting are as follows:

Investment Steering Committee		
Wednesday 15 June 2022	10am – 4pm	
Wednesday 12 October 2022	10am – 1pm	
Wednesday 30 November 2022	10am – 4pm	
Wednesday 22 February 2023	10am – 1pm	

7. Finance and Resources Implications

7.1 If an event costs more than £500 for one member or £1,000 in total, then prior approval for any travel by the Foreign Travel Committee is compulsory.

8. Background Papers

- 8.1 Schedule of Future Meetings and Events, PSB 10, 22 September 2021.
- 8.2 Schedule of Future Meetings and Events, ISC 05, 29 November 2021.