

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held at 10:00am as an online video conference on 16 December 2020

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 A Goggin	
Cllr A Hedley	
Cllr L Scordis	Left 10:30am
Cllr C Souter	
Cllr M Maddocks	

District/Borough Councils in Essex Representatives

Cllr M Dent	Southend-on-Sea Borough Council	
Cllr C Riley	Castle Point Borough Council	Arrived 10:08am Part I only

Scheme Member Representative

Sandra Child (UNISON)

Other Employing Bodies Representative

Rachel Hadley	Chelmer Housing Partnership
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The following Officers and Advisers were also present in support:

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Daniel Chessell	Retirement Manager
Sara Maxey	Employer Manager
David Tucker	Technical Hub Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Karen McWilliam	Independent Governance & Administration Adviser (IGAA), AON
Graeme Muir	Barnet Waddingham, Fund's Actuary

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

Cllr M Bracken	Employer Representative
James Durrant	Employer Representative
Andrew Coburn	Scheme Member Representative (UNISON)
Debs Hurst	Scheme Member Representative
Stuart Roberts	Scheme Member Representative

It was also noted that Substitute Member Cllr M Durham was also in attendance as an Observer.

Members noted that the meeting would be recorded to assist with the production of the minutes for the meeting.

Opening Remarks

The Chairman welcomed Karen McWilliam (IGAA), Graeme Muir (Fund Actuary), Cllr M Durham and PAB Members: Cllr M Bracken; James Durrant; Andrew Coburn; Debs Hurst; and Stuart Roberts to the meeting.

The Secretariat outlined to Members the protocol on how the virtual meeting would be conducted.

Apologies for Absence

It was noted that PAB Members Nicola Mark, Cllr S Hebb, Cllr S Walsh and James Sheehy were unable to attend the meeting.

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 LGPS. Cllr S Barker also declared she is an ECC Cabinet Member and sits on the Foreign Travel Committee;

Cllr M Platt declared he is the Deputy Cabinet Member for Environment & Climate Change Action 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 M Maddocks, Cllr C Riley and Sandra Child declared they were in receipt of an Essex LGPS Pension; and

Rachel Hadley declared she was the HR Director of Chelmer Housing Partnership.

Resolved:

The Board noted the report and update.

2. Minutes of PSB meeting 23 September 2020

The Chairman raised under Item 7 that the Minutes should read 'the Fund Officers on their excellent work'. As this was only a minor amendment, the minutes of the meeting of the PSB held on 23 September 2020 were approved as a correct record and signed by the Chairman.

Matters Arising. It was noted:

- that the Task and Finish Group have concluded their review of the Annual Surveys and the outcome along with the revised communication scorecard measures will be brought to the March 2021 meeting;
- that the further details relating to the Digital Journey of the Fund had been provided at the 11 November 2020 Training Day;
- the Essex Pension Fund Annual Report went to Full Council on 13 October 2020;
- the PAB Annual Report was published on the Fund's website, provided to the Scheme Advisory Board and published within the Fund's Annual Report and Accounts; and
- the Funding Strategy Statement was published after the meeting with the inclusion of the Exit Credits Policy.

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

3. Government Consultations

The Technical Hub Manager provided the Board with a report and shared the final responses to two Government Consultations:

- Amendments to the statutory underpin; and
- Reforming local government exit pay.

At the last meeting it was agreed that the Chairman and Vice Chairman of the Board would agree the submissions utilising the Out of Committee Decision Making process.

Following a meeting held on the 06 October 2020 with the Chairman, Vice Chairman and Cllr's Dent and Hedley who had expressed an interest in this consultation, the response in respect of the amendments to Statutory underpin was sent to the Ministry of Housing, Communities and Local Government (MHCLG) on 06 October 2020.

The response to the "Reforming local government exit pay" was submitted to MHCLG on 30 October 2020, following confirmation of approval from the Chairman and Vice Chairman.

It was also noted that the draft regulations were issued after the main consultation documents and have a later closing date of 18 December 2020. The LGPS Scheme Advisory Board has already submitted a response to the draft regulations and Fund Officers are satisfied that response addresses all of the technical issues identified. The Board were also advised that Her Majesty's Treasury (HMT) had gone ahead and introduced the exit payment cap legislation which now conflicts with current LGPS regulations.

Resolved:

The Board noted:

- the Fund's final response to the consultation 'Amendments to the statutory underpin';
- the Fund's final response to the consultation 'Reforming local government exit pay'; and
- the update provided on reforming local government exit pay.

4. Update on Pension Fund Activity

The Compliance Manager provided the Board with an update on progress in relation to the Business Plan, Budget, Scorecard and Risk Register.

Of the forty-two priorities highlighted in the Business Plan, the Board noted that twenty-five were in progress, eleven were completed, four were not yet due to start and two were not applicable for this current year.

It was noted that there was a negligible underspend against the 2020/21 Budget, but overall, on track for the financial year.

The Fund's achievement against the scorecard measures was discussed by exception.

The Board also noted the inclusion of the Investment measures following agreement from the Investment Steering Committee (ISC) at their 21 October 2020 meeting. It was further noted that the Communications measures will be developed following the review of the Fund's Annual Surveys and would be brought to the 17 March 2021 meeting for approval.

A Risk Management Update report was provided detailing the current risk scores against those reported at the previous meeting. It was highlighted that risks are continually monitored and reassessed as and when required with key risks being reviewed more regularly due to the Covid-19 pandemic. It was also confirmed that no new risks have been identified and risk ratings remain unchanged since the last meeting.

Resolved:

The Board noted the update on Pension Fund Activity.

5. External Audit Completion Report 2019/20

The Board received a report from the Investment Manager detailing BDO LLP's Audit Completion Report in relation to the 2019/20 external audit of the Essex Pension Fund.

Members were reminded that due to pressures on local authorities to respond to the Covid-19 pandemic, the Government had extended the 2019/20 financial year timetable in which draft accounts must be presented to external audit to 31 August (previously 31 May 2020), and for published audited accounts to 30 November 2020 (previously 31 July 2020).

Due to delays in completing the Essex County Council audit, BDO were not able to provide the Completion Report for the Fund until the 30 November 2020, the revised statutory deadline. The Fund were issued with an unqualified opinion and the accounts subsequently approved and published later that evening.

It was confirmed that the Fund's Annual Report & Accounts were provided with an unqualified consistency opinion, signed off and published on the Essex Pension Fund website by the statutory deadline of 01 December 2020.

The Board discussed the issues relating to the delays caused by BDO and the impact this had on Fund Officers.

Action:

The Chairman took an action to discuss the Board's concerns with ECC's Monitoring Officer and S151 Officer on BDO's ability to deliver on the completion of the audit on time next year.

Resolved:

The Board noted the content of the report.

6. Essex Pension Fund (EPF) Policies

The Compliance Manager provided the Board with an update in relation to Fund Policies and the timeline regarding those which had been approved to

date and those which were due for completion by the end of the Financial Year.

Members were presented with the revised Knowledge and Skills Strategy for Board/Committee Members, along with the Training Plan.

The Board were informed that the next steps regarding the Training Plan delivery was the completion of the Training Needs Analysis questionnaire to help form their individual training plans.

The Chairman requested if Substitutes could be included consistently throughout the document and it was agreed that this would be checked prior to publication.

The Compliance Manager informed the Board that the annual review of the Governance Policy and Compliance Statement (GP&CS) would be brought to their 17 March 2021 meeting. However, Members were reminded that MHCLG should be issuing guidance on a revised format in the New Year which may impact the timeline.

The Board were then invited to review the full Risk Register as part of the Annual Review as stipulated within the Fund's Risk Strategy. The Board were advised that:

- the Risk Register is reviewed regularly by the Fund's Management Team;
- no new risks have been added this Financial Year;
- mitigations are revised and updated to include new requirements throughout the year; and
- the next full review by the Board would be scheduled for the December 2021 meeting.

The Board reviewed the Risk Register and the Chairman asked for any further comments to be provided to Officers by week ending 18 December 2020. The Chairman also asked Officers to review the requirement for staff wellbeing to be included as a separate risk as this is at the forefront of Essex County Council's agenda throughout the Covid-19 pandemic. Officers agreed to review this requirement.

Resolved:

The Board:

- **approved** the Knowledge and Skills Strategy and Training Plan;
- noted the outcome of the 11 November Training Day;
- noted the progress to date in regard to the review of the GP&CS; and
- reviewed the full Risk Register and agreed it would be passed to the PAB for noting.

7. Quarterly Reports

7a. Investment Steering Committee (ISC) Quarterly Update

The Investment Manager provided the Board with a report which detailed the ISC activity since the previous Board meeting.

It was confirmed that the ISC had met on one occasion on 21 October 2020 where the Committee received a presentation from Aviva Investors, the Fund's UK property manager, in relation to a review of the Fund's property mandate and a further presentation from the Interim Director of the ACCESS Support Unit updating the Committee on ACCESS's latest developments.

The other main areas of business discussed were:

- the outcome of the Investment Strategy Statement (ISS) stakeholder consultation and subsequent approval;
- the agreement to become a signatory of the new Financial Reporting Council's UK Stewardship Code by March 2022;
- the agreement to procure an additional direct lending manager to manage 2.5% of the Fund's mandate;
- to proceed with the second tranche to further trim Baillie Gifford's overweight position;
- the approval of Investment specific Scorecard Measures to be included within an ISC specific Scorecard to form part of the ISC Annual Performance Review;
- the approval of the revised Investment Scorecard Measures to be included within the PSB Scorecard;
- the agreement to the proposed changes within the Operator Agreement;
- the review of the Inter-Authority Agreement (IAA) process;
- a report summarising Investment Manager performance for the quarter ended 30 June 2020; and
- an update in regard to the procurement of the Independent Investment Adviser.

Resolved:

The Board noted the report.

7b. Essex Pension Fund Advisory Board (PAB) Quarterly

Members were provided with an update on PAB activity since the last Board meeting. It was confirmed that the PAB had met on one occasion on 23 September 2020.

The main areas of business discussed by the PAB were:

- the PAB Terms of Reference (TOR);
- the re-appointment of Andrew Coburn as Vice Chairman of the PAB;
- the PAB Annual Report;
- the noting of the ISS;
- an update in regard to the Fund's Business Continuity arrangements;
- a summary of two external events that the Vice Chairman had attended in his role as PAB Member; and
- the establishment of the Task and Finish Group to review the Fund's Annual Surveys as recommended by the Board.

The Chairman expressed her gratitude to Andrew for stepping up as Chairman of the PAB during the last year.

Resolved:

The Board noted the report.

8. 2020 Actuarial Interim Review

The results of the 2020 Actuarial Interim Review were presented to the Board by Graeme Muir, the Fund's Actuary from Barnett Waddingham.

It was noted that the Funding level had marginally declined from 97% as at 31 March 2019 to 96.2% as at 31 March 2020, less of a fall than was perhaps expected due to the actuarial smoothing model used, protecting the Fund from the impact of the market volatility experienced in late March at the start of the Covid-19 pandemic.

The Actuary advised at the last Valuation the Fund's introduction of a 5% Asset Shock Reserve, had been instrumental in enabling contributions to remain stable.

Resolved:

The Board noted:

- the 31 March 2020 Interim Review; and
- that no changes are required to the Essex Pension Fund's Funding Strategy.

9. Schedule of Future Meetings and Events

The Board received a report from the Compliance Manager detailing the remaining planned Board meetings for this municipal year.

In addition, the Board agreed the schedule of meetings for the forthcoming municipal year 2021/22 as follows:

Pension Strategy Board

07 July 2021 10am - 1pm

22 September 2021 10am - 1pm

15 December 2021 10am - 1pm
23 March 2022 10am - 1pm

Investment Steering Committee

16 June 2021 10am - 4pm
13 October 2021 10am - 1pm
24 November 2021 10am - 4pm
23 February 2022 10am - 1pm

Pension Advisory Board

07 July 2021 2pm - 4pm
22 September 2021 2pm - 4pm
15 December 2021 2pm - 4pm
23 March 2022 2pm - 4pm

Training Days

To be confirmed

The Interim Director for Essex Pension Fund explained that the current arrangements, with the Board meetings at 10am followed by the PAB meetings at 2pm on the same day, would be further reviewed in 12 months' time as it was felt that the effectiveness of these arrangements had not been tested in full due to the virtual nature of the Boards/Committee meetings since July 2020.

Resolved:

The Board agreed:

- the dates for the next municipal year; and
- the extension of the current meeting arrangements for a further 12 months.

The Board noted the remaining meetings for 2020/21 and the content of the report.

10. 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.

The Chairman informed Members that the meeting would reconvene at 11:25am following a short adjournment.

The meeting was adjourned at 11:17am.

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The Board reconvened at 11:25am.

Opening Remarks

The Chairman welcomed back the Board and Observers and the Secretariat outlined to Members the protocol on how the meeting would be conducted.

11. Essex Pension Fund Advisory Board – Independent Chairman Arrangements

The Interim Director for Essex Pension Fund updated the Board on the Term of Office for the Chairman of the PAB.

The Appointment's Panel initially met on 28 October 2019 and agreed to extend the Chairman's term, for a year taking it to 31 March 2021. Although a letter offering the extension of appointment was drafted, Fund Officers, in consultation with the Chairman of the PSB, did not issue the letter due to notification that Nicola Mark had become unwell.

The Appointment's Panel further met on 01 December 2020 to discuss the appointment in line with the PAB TOR to establish if any further extensions could be offered. It was established that under the TOR the maximum term of office was six years taking it to July 2021 with the discretion to further extend for an additional six months. It was therefore agreed that Nicola Mark should be offered the maximum extension with her term of office now ceasing January 2022.

Fund Officers were pleased to report that Nicola is recovering well from her illness and will resume her Chairmanship from 01 January 2021.

Resolved:

The Board noted the decisions made by the Appointments Panel.

12. Employer Manager Update**12a. Employer Update**

The Board received an update from the Employer Manager in regard to two Employers that have gone into liquidation.

It was explained that Fund Officers were working with the Actuary to finalise the Employers positions in question and would provide an update at the next Board meeting.

Members were also updated on the introduction in September 2020 of Flexibility options within the LGPS Regulations for funds to help manage employer changes and assist smaller employers when leaving the LGPS. These flexibilities are optional for funds and are not a statutory requirement.

It was noted that Fund Officers would prepare policies and bring them back to the Board for approval when final Statutory Guidance has been issued.

Resolved:

The Board noted the content of the report.

12b. Employer Ill Health and Death in Service Policy

A draft Employer Ill Health and Death in Service Policy was provided to the Board for their approval.

Members were advised that the draft Policy had been issued to all Employers for a two-week consultation period as agreed by the Chairman and Vice Chairman of the Board.

It was further explained that ten responses were received and in the main were positive towards the introduction of this Policy, clarifications were also provided where required.

The Board were advised that the implementation date was retrospective from 01 April 2020 to coincide with the Actuarial Valuation. The Fund's Actuary will monitor the ill health and deaths initially on a six-monthly basis moving to annually after the first year if appropriate. In addition, this Policy would be reviewed as part of the next Triennial Valuation.

Resolved:

The Board **approved** the Employers Ill Health and Death Policy and noted the content of the report.

13. Pooling Update

The Interim Director for Essex Pension Fund provided the Board with an update from the 07 September 2020 ACCESS Joint Committee (AJC) meeting.

It was explained that the AJC recommended the eleven Funds of ACCESS to agree to three recommendations in regard to the Operator Agreement, these were agreed by the ISC at their 21 October 2020 meeting.

Members were also reminded that the AJC packs would be issued to all Boards/Committee Members electronically prior to their meetings as agreed by the ISC.

A latest position was also given regarding the revised Inter-Authority Agreement which had been reviewed by all eleven Funds Monitoring Officers, it was noted that it was approved by ECC Full Council on 08 December 2020.

Resolved:

The Board noted the update.

14. Urgent Exempt Business

There were none.

15. Closing Remarks

There being no further business, the Chairman wished everyone a Merry Christmas and the meeting closed at 12:03pm.



Chairman
17 March 2021