

Minutes of the meeting of the Essex Pension Fund Strategy Board (PSB), held in Committee Room 1 at 10:00am on 07 July 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 A Hedley	
Cllr M Hoy	
Cllr D King	
Cllr C Souter	

District/Borough Councils in Essex Representatives

Cllr C Riley	Castle Point Borough Council
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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 of the meeting:

Jody Evans	Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Sara Maxey	Employer Manager

The following Officers and Advisers were present remotely via Zoom:

Daniel Chessell	Retirement Manager
Helen Pennock	Compliance Analyst
Farzaneh Bahramzadeh	Compliance Team Assistant (Summer Intern)
Mary Lambe	Independent Governance & Administration Adviser (IGAA), Aon
Graeme Muir	Barnet Waddingham, Fund Actuary

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
Cllr M Bracken	Employer Representative
James Durrant	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 newly formed Board, Observers and Advisers to the meeting and introduced the two new elected Members to the Board, Cllr M Hoy and Cllr D King.

Apologies for Absence

It was noted that Cllr A Goggin and Cllr M Dent were unable to attend the meeting. In addition, PAB Member, Debs Hurst also sent her 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 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 Hoy declared that his brother-in-law and nephew are members of the LGPS and that he is a Member 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. Confirmation of Chairman and Vice Chairman Arrangements

The Board received a report from the Compliance Manager outlining the process in regard to the annual Chairman and Vice Chairman arrangements of the PSB and the appointment of the Fund's representative on the ACCESS Joint Committee (JC).

It was noted that at the Essex County Council (ECC) Full Council meeting held on 25 May 2021, Councillor Susan Barker was appointed as the Chairman of the PSB and Investment Steering Committee (ISC) for the Essex Pension Fund. In addition, at the first meeting of the ISC held on 16 June 2021, Councillor Mark Platt was appointed as Vice Chairman of both the PSB and ISC. It was also agreed at that meeting that the Chairman, and in her absence, the Vice Chairman act as the Fund's representative on the ACCESS JC.

Resolved:

The Board noted:

- the appointment of the Chairman and Vice Chairman of the PSB;
- the Chairman act as the Fund's representative on the ACCESS JC and that in their absence the Vice Chairman would deputise as agreed at the 16 June 2021 ISC meeting.

3. Minutes of PSB meeting 17 March 2021

The Minutes of the meeting of the PSB held on 17 March 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:

- the link to The Pensions Regulator (TPR) Single Modular Code Consultation was issued to the Board on 18 March 2021 and a further update in regard to the Fund's response would be provided at Agenda Item 11a;
- an update would be provided at Agenda Item 13 in regard to the outcome of the Governance Effectiveness Review; and
- Agenda Item 9b(iii) would set out a proposal in regard to the vacant position on the PAB.

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

4. **Essex Pension Fund Strategy Board Terms of Reference**

The Compliance Manager brought to the attention of the Board the key aspects of the PSB Terms of Reference which were pivotal to their role.

These included:

- to ensure the proper administration of the Fund, including compliance with the LGPS and other legislation, ensuring that it delivers best value and compliance with Statutory and non-statutory best practice guidance where considered appropriate;
- to agree Administering Authority responses to consultations by Central Government, professional and other bodies;
- to both appoint and terminate the appointment of the Fund's Advisers, including Actuaries, Governance Advisers, and specialist lawyers (where required) and periodically review those arrangements; and
- to consider the Fund's financial statements and to approve an Annual Report on the activities of the Fund in line with legislation and guidance.

Resolved:

The Board noted their Terms of Reference as detailed in Appendix A to the report.

5. **Annual Report to Essex County Council**

The Board received the Essex Pension Fund Annual Report for 2020/21, which had been approved by the Chairman prior to the meeting.

Members were advised that the Report would be taken to next week's Full Council meeting.

A point of clarification was raised in regard to one of the PAB's Employer Representative's mentioned in the report. The Compliance Manager confirmed that the Fund would revert back to James Durrant for confirmation of his correct Employer name.

Resolved:

The Board noted the report.

6. **Pension Fund Activity: Quarterly Update Report**

The Compliance Manager provided the Board with the final Scorecard position as at 31 March 2021 and an update on progress in relation to the 2021/22 Business Plan and Risk Register as at 31 May 2021.

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

The Fund's achievement against Scorecard measures was discussed on an exception basis, noting two red measures in regard to the PAB Vacancy and the annual measure relating to the calculation and notification of deferred benefits.

In addition, a positive movement from red to green was also noted in regard to PAB meeting attendance.

A Risk Management update was provided detailing the current risk scores against those reported at the previous meeting. It was confirmed that no new risks have been identified since the last meeting. However, following the outcome of the recent local Elections and Full Council meeting on 25 May 2021 which resulted in minimal change to the composition of Board/Committee Membership, Risk G3 had been downgraded reverting back to its target score of 4.

Resolved:

The Board noted the update on Pension Fund Activity.

7. Audit Update

7a. Internal Audit Annual Report 2020/21

The Investment Manager provided the Board with the outcome of the two Pension Fund internal audit reviews: Administration; and Funding & Investments. It was noted that both reviews received 'Good Assurance', the highest level of assurance that can be given which has marked a decade of 'Good Assurance', or equivalent outcomes received by the Fund.

In addition, it was noted the Fund received no recommendations for the third consecutive year.

The Investment Manager informed the Board that ECC are due to move to a new financial system later this year, which could have an impact on the outcome of the 2021/22 internal audit review as well as Scorecard measures reported to the Board.

It was also confirmed that via the 2020/21 National Fraud Initiative (NFI) monthly data matching exercise, overpayments of £30k had been identified, which equated to 0.015% of the total payments made during 2020/21.

Members were keen to understand the process undertaken by the Fund in identifying a fraudulent recipient. Officers took an action to provide a Case Study to Members.

Resolved:

The Board noted:

- the outcomes of the 2020/21 Internal Audit Reports;

- the outcome of the 2020/21 National Fraud Initiative; and
- the planned audits of the Pension Fund for 2021/22.

7b. External Audit 2020/21: Audit Planning Report Year Ending 31 March 2021

An update was provided in relation to BDO LLP's Audit Planning Report for the 2020/21 External Audit of the Essex Pension Fund, which was provided at Appendix A of the report. It was explained that since its approval at the 22 March 2021 Audit, Governance and Standards Committee meeting, a revision to the timetable had recently been communicated to Officers.

The Board noted that the External Audit due to commence on 21 July 2021 had been moved back by BDO LLP and was now scheduled to commence on the 26 July 2021.

The Board raised their concerns with this development sighting that the shorter timeframe would now be more challenging for BDO LLP to complete the Pension Fund audit and be in a position to report its findings and provide their opinion by the revised statutory deadline of 30 September 2021. Members requested that their concerns be brought to the attention of the Audit, Governance and Standards Committee.

Resolved:

The Board concerns and content of the report was noted.

8. Essex Pension Fund Draft Accounts 2020/21

The Board received a report from the Investment Manager in relation to the Fund's Draft Accounts 2020/21. It was explained that following feedback received by Members a Summary Dashboard drawing out the key highlights from the Financial Statements had been developed which Officers hoped Members would find useful and informative.

The key takeaway highlighted was that the Fund had rebounded significantly over the last twelve months closing on £8.739bn as at 31 March 2021, an increase of over £2bn from the prior year.

The Compliance Manager requested that those Members who had completed the Fund's Accounting and Audit training notify the Compliance Team to enable their training record to be updated accordingly. In addition, any Member having difficulties with viewing the training presentation were invited to contact the Compliance Team who would arrange for an online training session to take place.

Resolved:

The Board noted the report.

9. Quarterly Reports

9a. Investment Steering Committee (ISC) Quarterly Report

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 two occasions the 24 March 2021 and 16 June 2021.

24 March 2021

The main focus of the meeting was in regard to the outcome of the Direct Lending OJEU Procurement and the appointment of a new Direct Lending Manager. The outcome of the Institutional Investment Consultant procurement was also noted.

The other main areas of business discussed were the outcome of the Responsible Investment (RI) workshop and the agreement that the RI Policy and Beliefs remain appropriate and that the RI Priorities should be viewed holistically. It was also agreed that the passive mandate be reviewed in the first instance in terms of its alignment with the Fund's RI Policy.

16 June 2021

The main focus of the meeting was the agreement by Members of a detailed RI Project Plan which highlighted key dates when deliverables would need to be completed and reported, so the Fund could achieve this year's Business Plan areas of activities, in particular being in a position to sign up to the Financial Reporting Council (FRC) UK Stewardship Code 2020.

The other main areas of business discussed were the Fund's Annual Investment Manager Performance Review and outcome of the CEM management fee benchmarking exercise. It was also noted the agreement of a further £60m be committed to new private equity opportunities in 2021/22.

The outcome of the recent collaborative procurement undertaken by eight of the ACCESS authorities for the provision of global custodian service arrangements was noted with the agreement that Northern Trust be reappointed as the preferred provider.

Resolved:

The Board noted the content of the report.

9b(i). Essex Pension Fund Advisory Board (PAB) 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 17 March 2021.

The main areas of business discussed by the PAB were the:

- noting of the PAB's red Scorecard Measures resulting from the resignation of a Scheme Member representative and PAB attendance;
- process agreed by the PSB to be undertaken for the recruitment of the vacant Scheme Member representative position and the UNISON Scheme Member arrangements on the PAB;
- interactive session undertaken in regard to the Governance Review and Effectiveness Survey; and
- outcome of the Training Needs Analysis (TNA) completed by PAB Members.

Resolved:

The Board noted the report.

9b(ii). Essex Pension Fund Advisory Board (PAB) Annual Report

The Compliance Manager provided the Board with an overview of the PAB Annual Report which detailed their activities during 2020/21 confirming that the Report had been approved by the Independent Chairman, Nicola Mark and the Vice Chairman, Andrew Coburn in June 2021.

It was also confirmed that following the Full Council meeting on 25 May 2021, Councillor Lewis Barber was appointed as the new ECC Employer Representative for the PAB, replacing Councillor Simon Walsh and that Councillor Jack Duffin had been appointed by Thurrock Council Cabinet as Southend-on-Sea and Thurrock Unitary Authority new representative, replacing Councillor Shane Hebb.

Resolved:

The Board noted:

- the content of the 2020/21 Annual report and acknowledged it would be published within the Fund's Annual Report & Accounts and sent to the Local Government Pension Scheme Advisory Board;
- the appointment of Councillor Lewis Barber as the new Essex County Council Employer Representative on the PAB replacing the vacancy left by Councillor Simon Walsh; and
- the appointment of Councillor Jack Duffin as the Southend-on-Sea and Thurrock Unitary Representative on the PAB replacing Councillor Shane Hebb.

9b(iii). Essex Pension Fund Advisory Board (PAB) Recruitment

The Director for Essex Pension Fund updated the Board on the revised approach and timeline in regard to the recruitment of a new Scheme Member representative to the PAB.

It was explained that Officers will look to explore and utilise different media forums to advertise the position including: Active Members Annual Benefit Statements and a YouTube video advertisement.

It was also confirmed that Andrew Coburn had been reappointed the UNISON Scheme Member representative on the PAB for a further term.

Resolved:

The Board **agreed:**

- for Fund Officers to re-commence the recruitment process for a Scheme Member representative; and
- the proposed timetable for the recruitment.

The Board noted:

- the continuation of Andrew Coburn as UNISON's Scheme Member representative on the PAB for a term of up to six years;
- the Membership of the Appointment's Panel in line with the PAB's Terms of Reference; and
- the content of the report.

10. Update on Members Training

The Compliance Manager provided the Board with an update in relation to their Two-Year Training Plan following the feedback received thus far from some Members completed Training Needs Analysis (TNA) questionnaires and one to one meetings.

It was explained that due to a number of the TNA's and one-to-one meetings still outstanding, Officers could only provide the Board with an example of a draft Training Plan based on one PSB and ISC Member.

The new Members of the Board were informed that their TNA's would be carried out after they had completed six months on the Board.

Resolved:

The Board noted the review undertaken of the TNA's to date and the next steps.

The Chairman informed Members that the meeting would reconvene at 10:57am following a short adjournment.

The meeting was adjourned at 10:47am.

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The Board reconvened at 10:57am.

11. Consultations

11a. The Pensions Regulators (TPR) Single Modular Code Consultation

The Director for Essex Pension Fund confirmed that the Fund's response to TPR's Single Modular Code Consultation was submitted on 25 May 2021.

It was explained that the response template was 420 pages in length, covering 51 different modules and as such a link was provided should Members wish to view the Fund's response in full. An overview of the key themes of the response was provided. However, the Fund's consensus was the draft Code consulted upon was poorly structured, confusing and lacked clarity in many areas as the TPR had attempted to use a coverall approach.

Resolved:

The Board noted the key themes of the Fund's response to the Single Modular Code Consultation, which was submitted to TPR on 25 May 2021.

11b. HM Treasury Consultations

The Board's attention was drawn to two recently issued Consultations that were announced on 24 June by HM Treasury, these being:

- SCAPE discount rate methodology; and
- Cost control mechanism.

The Board were informed that the Out of Committee decision making process may need to be enacted over the Summer should the consultation be determined as relevant, and a response be required.

Resolved:

The Board noted the report.

12. Funding Update

12a. Amendments to the Funding Strategy Statement (FSS)

The Employer Manager updated the Board that following the agreement via the Out of Committee process in April 2021, the Flexibility Policies had now been developed, approved, and published within the FSS.

A recent LGPC bulletin on Exit Credits was also brought to Member's attention with confirmation that an update regarding any Employers in the Fund affected would be brought to a future meeting.

Resolved:

The Board noted the content of the report.

12b. Government Actuary's Department (GAD) Section 13 (S13)

The Board received bitesize training from Barnett Waddingham, the Fund's Actuary, on the outcome of the 2019 Triennial Valuation and how it aligns with GAD's S13 Valuation.

It was explained that this Valuation is undertaken by GAD following completion of all LGPS funds triennial valuations.

Members were informed of the Fund's positive outcome with GAD assessing all measures as green by applying the standardised assumptions. The full report along with a Summary from GAD was provided at Appendices A and B to the report.

A question was raised in regard to the Asset Shock Reserve used by GAD. It was confirmed that GAD S13 Valuation did not take account of the 5% Asset Shock Reserve that the Fund has applied within the FSS, but use their own 'Asset Shock' taking 15% from the return which was then applied across all funds.

Resolved:

The Board noted the content of the report and the training presentation.

13. Governance Effectiveness Review

The Independent Governance and Administration Adviser (IGAA) provided the Board with the findings of the recent Governance Effectiveness Review undertaken, concluding that the Fund's Governance was 'excellent'.

The Director for Essex Pension Fund highlighted that of the three recommendations outlined within the report, the Fund was already in the process of implementing two of the recommendations and had commenced initial conversations in regard to the third.

Resolved:

The Board noted the content of the report and the summary of the outcome of the Governance Effectiveness Review.

14. Schedule of Future Meetings and Events

The Board received a report detailing the planned Board meetings dates and training day for the remainder of the municipal year. Information on upcoming training events was also provided.

Resolved:

The Board noted:

- the dates of the PSB meetings for the remainder of the municipal year;

- the requirement to notify the Compliance Team of any training sessions they would like to attend; and
- the content of the report.

15. 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.

16. Employer Update

The Employer Manager provided an update in regard to two Employers which had gone into liquidation as a result of the Covid-19 pandemic. It was confirmed that the Actuary had calculated the final termination positions for both of these Employers and Officers were waiting the outcome of claims that had been filed with the liquidators.

Members were informed that the Fund had recently been notified of a further Employer liquidation and that an update will be brought to a future meeting.

An update was also provided in regard to the termination of an Admitted Body of the Fund which resulted in the identification of an Exit Credit payment.

Resolved:

The Board noted the content of the report.

17. Essex Pension Fund Printing and Posting Procurement

Following the agreement by the Board in April 2021 via the Out of Committee process to the commencement of the Printing and Posting procurement, Officers updated the Board, outlining the proposed timeline for completing the procurement.

Resolved:

The Board noted:

- the Out of Committee decision made during April 2021 to agree the procurement of a Printing and Posting Supplier in conjunction with the ECC Procurement Policy and Procedures;
- the update in regard to the procurement; and
- the content of the report.

18. Urgent Exempt Business

The IGAA notified the Board about a recent development in regard to the proposed merger involving Aon and Willis Towers Watson. The Board were reassured by the IGAA that this new development would not impact the service provided by Aon to the Fund.

Closing Remarks

There being no further business, the meeting closed at 11:59am.

Chairman
22 September 2021