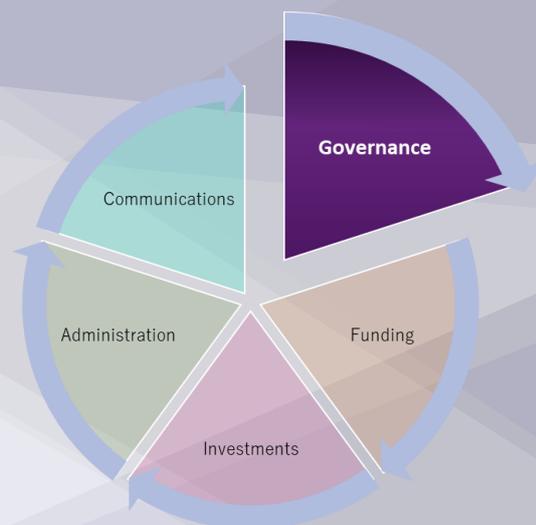


Essex Pension Fund

Governance Policy and Compliance Statement

March 2021



Essex Pension Fund

Governance Policy and Compliance Statement

Introduction and Legal Requirements

Essex County Council is the Administering Authority responsible for maintaining and managing the Essex Pension Fund on behalf of its stakeholders; the Scheme Members and Employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.

Flexibility is provided for each Administering Authority to determine their own governance arrangements. However, the LGPS Regulations (regulation 55 of the LGPS Regulations 2013) require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:

- a. the terms, structure and operational procedures of the delegation;
- b. the frequency of any committee or sub-committee meetings;
- c. whether such a committee or sub-committee includes representatives of Scheme Employers or Members, and if so, whether those representatives have voting rights;
- d. the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying; and
- e. details of the terms, structure and operational procedures relating to the local pension board.

Each Administering Authority is required to:

- a. keep the statement under review;
- b. make such revisions as are appropriate following a material change in respect of any of the matters mentioned in points a. to e. above; and
- c. if revisions are made, publish the statement as revised.

In reviewing and making revisions to the statement, the Administering Authority must consult such persons as it considers appropriate.

This document is the Governance Policy and Compliance Statement for Essex Pension Fund that has been prepared to meet the requirement of the LGPS Regulations. The Governance Compliance Statement noted in point d. above is included as Annex A.

About the Essex Pension Fund ('the Fund')

Under the Regulations, Essex County Council is required to maintain a pension fund ("the Fund") for its employees and those of other Scheme Employers within its area.

Essex County Council therefore administers the Fund for its own employees and those of the 14 Borough, City, District and Unitary Councils, and numerous other bodies. In total there are over 700 separate Employers participating in the Fund. The Fund does not provide pensions for

Essex Pension Fund

Governance Policy and Compliance Statement

teachers, fire-fighters and police officers, for whom separate arrangements exist but includes administrative and support staff for those organisations.

| Membership Summary as 31 March 2020 | |
|--|----------------|
| Active Members | 57,498 |
| Pensioners/Dependants | 44,682 |
| Deferred* Members | 69,857 |
| Total | 172,037 |

* Deferred pensioners are former active members who have chosen not to transfer their pension rights but retain their pension rights in the Fund until they are due for payment.

Aims and Objectives

In relation to the governance of the Fund we will aim to:

- provide a high-quality service whilst maintaining value for money;
- ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice;
- ensure the Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise;
- evolve and look for new opportunities, ensuring efficiency at all times;
- act with integrity and be accountable to our stakeholders;
- understand and monitor risk and compliance;
- continually measure and monitor success against our objectives; and
- ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

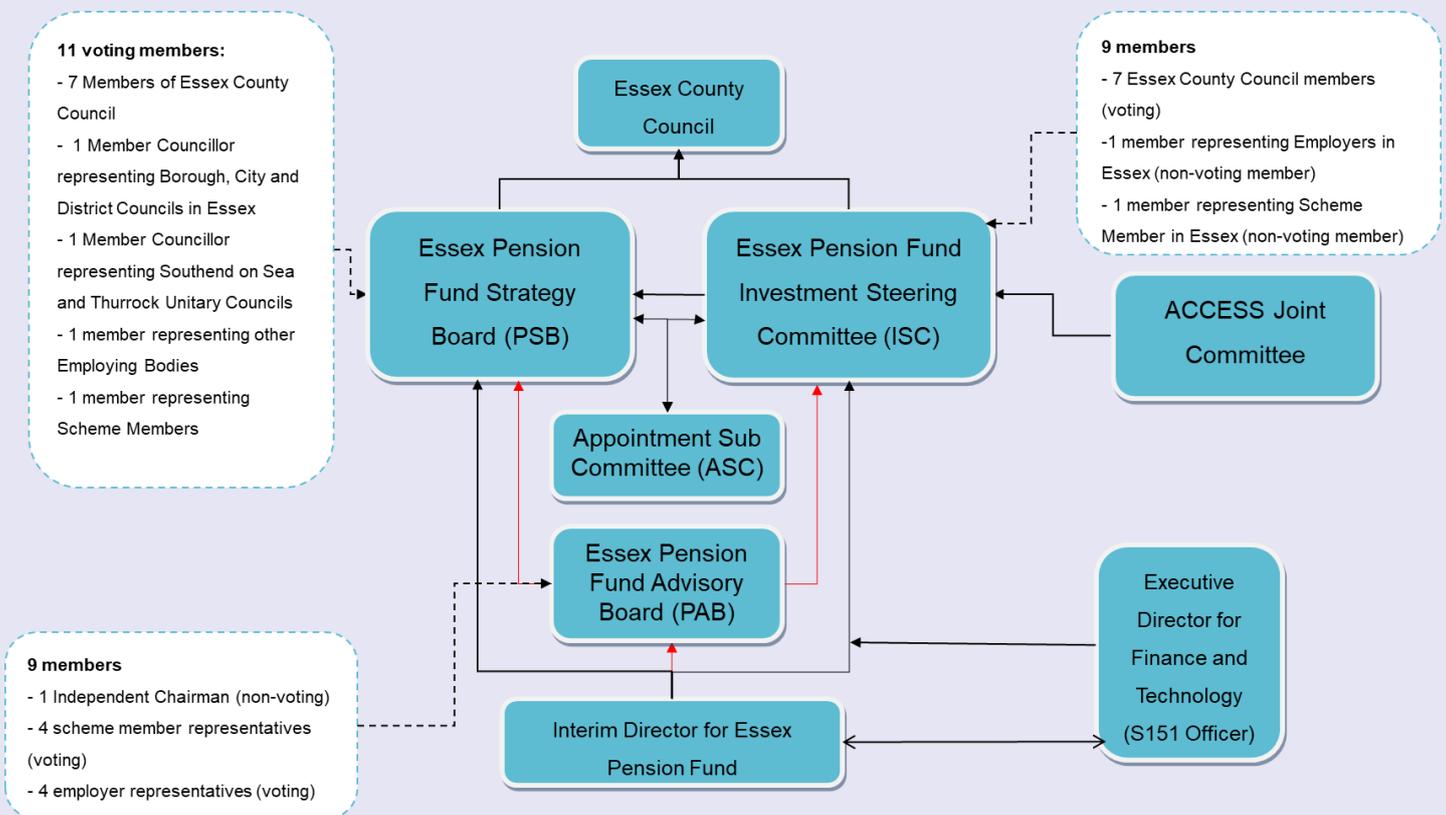
Essex Pension Fund

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Governance Structure

The Fund's governance structure is illustrated below. This structure relates to the Administering Authority responsibilities only. Essex County Council is also an Employer within the Fund. A separate governance structure and Scheme of Delegation is in place in relation to Essex County Council's employer pension responsibilities:

Full details of the delegations from Essex County Council as Administering Authority are available from <https://www.essex.gov.uk/our-constitution>. A summary of each of the key Boards/Committee and delegations are set out below:



Decision Making Bodies

The Fund's Decision Making Bodies are the Essex Pension Fund Strategy Board (PSB) and the Investment Steering Committee (ISC). The decisions these bodies are required to make are detailed within the Role and Function sections overleaf.

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Essex Pension Fund Strategy Board

Membership

There are 11 Members of the Essex Pension Fund Strategy Board (PSB) including:

| All Voting* Members | How Nominated or Appointed | Term of Office |
|--|---|--|
| 7 Members of the Council | Appointed by the Council | 1 year as appointed at the annual meeting of the Council or as changed from time to time by the Constitution |
| 1 Member Councillor representing Borough, City and District Councils in Essex | Nominated by Essex Borough and District Leaders/Chief Executives | 4 years from the relevant Borough, City and District Council elections |
| 1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils | Nominated jointly by and from either Southend-on-Sea and Thurrock Councils | 4 years from the relevant Unitary Council elections |
| 1 Member representing other Employing Bodies | Nominated by other employers at the employer forum or such other process as agreed by the Chairman and the Interim Director for the Fund and must be in the employment of or hold office in relation to a Fund Employer | 6 years from date of appointment |
| 1 Member representing Scheme Members | Nominated by Unison and must be a member of the Fund | 6 years from date of appointment |

*voting is subject to other provisions within this document.

The Constitution does not permit non-Essex County Council Members to have substitutes.

Quorum

A meeting of the PSB shall only be quorate when:

- i) At least 4 members are present, and
- ii) At least 3 of the members present are Essex County Council members.

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Term of Office

The Term of Office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any PSB Member may be re-appointed for further terms following the appropriate appointment process.

A Member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the PSB if they cease to hold the office or employment which qualifies them for the role.

Role and Function

The PSB will exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Essex Pension Fund except where they have been specifically delegated by the Council to another Committee or to an Officer. Its principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund Members. In doing so, the PSB will take account of advice from the Director for Essex Pension Fund and the Fund's professional Advisers.

The role of the PSB will include the following specific functions:

- (i) to monitor and oversee the work of the Fund Investment Steering Committee (ISC) through its quarterly reports;
- (ii) 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;
- (iii) to determine, review and monitor the Fund's aims, objectives, strategies, compliance statements and procedures relating to the funding strategy, including approving its Funding Strategy Statement;
- (iv) to make arrangements for the actuarial valuation, ongoing monitoring of liabilities and to undertake any asset/liability and other relevant studies as required;
- (v) to determine, review and monitor the Fund's policy in regard to Employer admission and cessation arrangements;
- (vi) to determine, review and monitor the Fund's other aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund, including but not limited to administration, communications and governance;
- (vii) to determine how the various Administering Authority discretions are operated for the Fund;
- (viii) to agree Administering Authority responses to consultations by Central Government, professional and other bodies;

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- (ix) to consider any views expressed by employing organisations and staff representatives;
 - (x) to both appoint and terminate the appointment of the Fund's advisers, including actuaries, governance advisers and specialist lawyers (where required) and periodically to review those arrangements;
 - (xi) to agree the Fund's business plans and monitor progress against them;
 - (xii) 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; and
 - (xiii) to agree a Knowledge and Skills Strategy and ensure its requirements are adhered to.
- No matters relating to Essex County Council's responsibilities as an Employer participating in the Essex Pension Fund are delegated to the PSB.

Investment Steering Committee

Membership

There are 9 Members of the Investment Steering Committee (ISC).

| Members | How Nominated or Appointed |
|--|--|
| 7 Members of the Council (voting members) | All Council Members of the PSB |
| 1 Member representing Employers in Essex (non-voting member) | The Member of the PSB nominated by Essex Borough, City and District Leaders/Chief Executives |
| 1 Member representing Scheme Members (non-voting member) | The Member of the PSB nominated to represent Scheme Members |

All ISC Members shall be drawn from PSB membership as follows:

The Chairman and Vice-Chairman of the ISC shall be the Chairman and Vice-Chairman of the PSB respectively.

Quorum

A meeting of the ISC shall only be quorate when:

- i) At least 4 members are present, and
- ii) At least 3 of the members present are Essex County Council members.

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Term of Office

The Term of Office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any ISC Member may be re-appointed for further terms following the appropriate appointment process.

A Member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the ISC if they cease to hold the office or employment which qualifies them for the role.

Role and Function

- (i) to approve and review the asset allocation benchmark for the Fund;
- (ii) to determine, review and monitor the Fund's aims, objectives, policies, strategies and procedures relating to investment of the Fund's assets including the Investment Strategy Statement and environmental, social and governance matters;
- (iii) to appoint and terminate Investment Managers (in relation to non-pooled assets), Custodians and Advisers to the Fund solely relating to investment matters;
- (iv) In relation to the LGPS ACCESS Pension Fund Pool;
 - a) to consider pooling matters including recommendations by the ACCESS Joint Committee;
 - b) to determine the transition of the assets held by the Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
 - c) to appoint the elected Councillor for Essex County Council (ISC Chairman) to the Joint Committee as and when required with the ISC Vice Chairman able to deputise in their absence;
 - d) to advise the representative on the Joint Committee on such matters as may be required;
 - e) to monitor the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee or ASU, as appropriate;
 - f) to receive and consider reports from the LGPS ACCESS Joint Committee and the Operator;
 - g) to undertake any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required.
- (v) to assess the quality and performance of each Investment Manager and the relevant ACCESS Operator annually in conjunction with the Fund Investment Advisers and the Section 151 Officer;

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- (vi) to monitor compliance of the investment arrangements with the Investment Strategy Statement;
- (vii) to monitor and review the Fund's compliance with the LGPS Scheme Advisory Board adopted Code of Transparency and UK Stewardship Code;
- (viii) to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;
- (ix) to approve and to review annually the content of the Pension Fund Treasury Management Strategy; and
- (x) to submit quarterly reports on its activities to the PSB.

Essex Pension Fund Advisory Board (Local Pensions Board)

Membership

The Essex Pension Fund Advisory Board (PAB) shall consist of 9 Members and be constituted as follows:

| Members | How Nominated or Appointed |
|---|--|
| 4 Employer made up of one from each of the following groups of Employers in the 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 |
| 4 Scheme Member representatives of which: | one will be nominated by the trade unions |
| | the rest will be drawn from the total Fund's active, deferred and pensioner membership |
| 1 Independent Chairman | through appointment process |

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Quorum

A meeting of the PAB shall only be quorate when:

i) 4 Members are present including at least the Chairman or Vice-Chairman, 1 Employer representative and 1 Scheme Member representative.

A meeting that is (or becomes at any point) inquorate will only continue if the Chairman (or Vice-Chairman) decides it should and in relation to items of business as agreed by the Chairman (or Vice-Chairman).

Term of Office

- a. Employer representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer in the employment of that Employer, no longer holds office in relation to that Employer or is no longer an elected member of that Employer, as appropriate.
- b. Scheme Member representative appointments will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Director for Essex Pension Fund. It will automatically cease if the individual is no longer a trade union representative or representative of Fund members (in accordance with the criteria set by the Appointments Panel).
- c. The Independent Chairman's appointment will expire after a period of four years from the date of establishment of the PAB or the date of their individual appointment if later. This period may be extended to up to six years if agreed by the Appointments Panel.
- d. Any Board member, including the Independent Chairman, may be re-appointed for further terms following an appointment process.

Role and Function (Remit)

The Board:

- a) shall assist the Scheme Manager with such matters as the LGPS regulations and guidance may specify;
- b) shall be a "critical friend" to the PSB and the ISC;
- c) may provide oversight of decisions made by the PSB and ISC to ensure that due process has been followed;

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- d) may review any decision made by or on behalf of the Scheme Manager or any action taken by the Scheme Manager;
- e) shall comment on and assist in identifying and managing breaches of the law in relation to Fund matters;
- f) at the invitation of the PSB, may also undertake other tasks, including (but not limited to):
 - assisting the PSB by reviewing aspects of the performance of the Fund – for example by reviewing the risk management arrangements within the Fund (although the PSB will remain accountable for risk management) ;
 - reviewing administration standards or performance or review efficacy of Fund member and employer communications;
 - reviewing published policies to ensure they remain fit for purpose and are complete;
 - reviewing Fund annual reports;
 - being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and Fund members; and
 - discussing strategic matters such as communications where requested by the PSB.
- g) shall provide such information as is requested to other bodies including but not limited to the LGPS Scheme Advisory Board and The Pensions Regulator (TPR) and provide an annual report of the work of the Board to the Scheme Manager;
- h) will prepare a record of each meeting which will normally be published no later than 12 working days following the meeting using the appropriate systems of the Scheme Manager; and
- i) must provide a record of each meeting to the following PSB meeting and may make reports and recommendations to the PSB insofar as they relate to the role of the Board (see "Reporting and Escalation within the full Terms of Reference").

The Board is not a decision-making body in relation to the management of the EPF but makes recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers. The Board operates independently of the PSB.

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Delegations to Senior Officers

To the Director, Essex Pension Fund:

- (i) To be responsible for the day to day operational management of Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the PSB or ISC;
- (ii) To agree the terms and payment of bulk transfers to and from the Fund;
- (iii) To decide any other Fund related urgent matter, that might otherwise be considered by the PSB or ISC, after consultation with the Chairman of the PSB.

Note: The Director, Essex Pension Fund is not empowered to change the managers of the Fund.

Executive Director, Finance and Technology (S151 Officer):

To be responsible for providing advice and proposing recommendations to the PSB, ISC and the Director, Essex Pension Fund, and to appoint Essex County Council's officers to the ACCESS Officer Working Group as and when required.

Note: The Executive Director, Finance and Technology is not empowered to change the managers of the Fund or, unless the Chief Executive agrees.

Director, Legal and Assurance:

To discharge the functions of the Council with respect to the pension's complaints procedure.

Responsibilities of other relevant parties

The responsibilities of other relevant parties are set out in Annex B.

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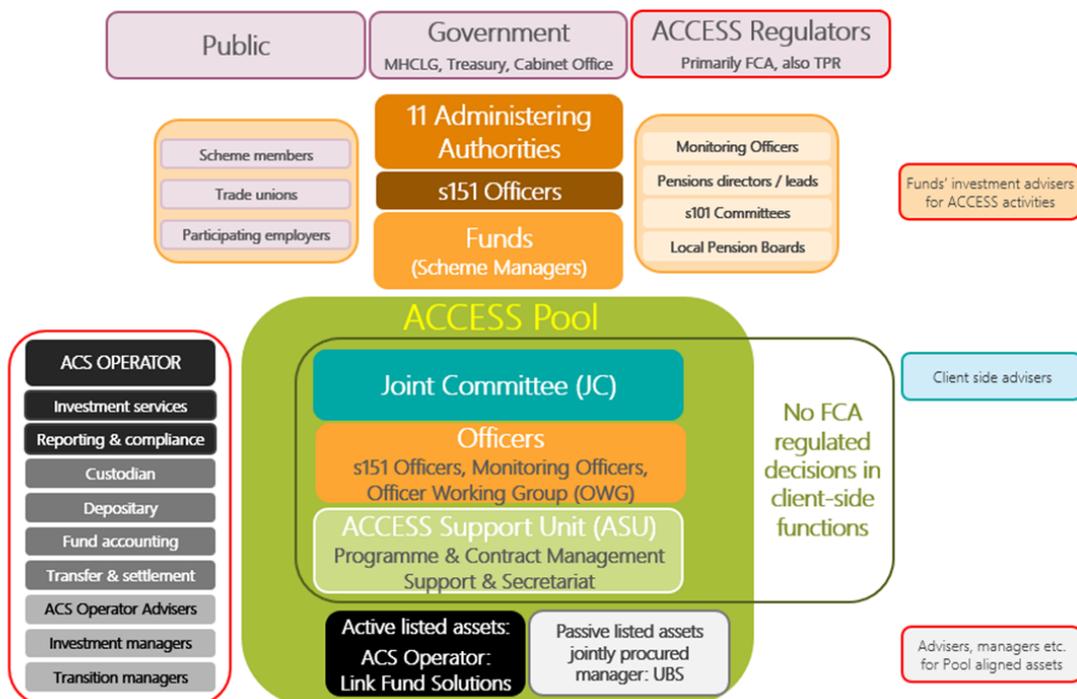
ACCESS Joint Committee

The ACCESS¹ Joint Committee is composed as follows:

- Cambridgeshire County Council
- East Sussex County Council
- Essex County Council
- Hampshire County Council
- Hertfordshire County Council
- Isle of Wight Council
- Kent County Council
- Norfolk County Council
- Northamptonshire County Council
- Suffolk County Council
- West Sussex County Council

The Joint Committee within the ACCESS pool is made up of the 11 Chairs of the pension committees of the 11 participating LGPS funds. There are two other bodies that are part of this structure; the Officer Working Group comprised of officers advising the Joint Committee and the ACCESS Support Unit (ASU)², providing business support functions.

The following diagram details the structure:



¹A collaboration of central, eastern and southern shires, formed by 11 LGPS Funds, in response to the Government's investment reform criteria. ²Employees of any Council employed at the request of the Joint Committee wholly or mainly for the purposes of implementing the 'agreement' of the Pool.

The functions that have been delegated to the ACCESS Joint Committee are as follows:

Operating the Pool and taking Advice:

- i. The Joint Committee shall consult with and consider the advice of the Section 151 Officers Group (and, where requested, the Monitoring Officers and from appropriate professional advisers) in discharging its functions, recording, if appropriate, where such advice is not followed and the rationale for not doing so. It may decide to procure such professional advisers on such terms as it thinks fit. Accordingly, any procurement of advisers must comply with the constitution of the Council designated to undertake the procurement and that Council will enter into a contract with the appointed adviser on behalf of the Councils.
- ii. The Joint Committee shall decide which functions shall be performed by the ASU.
- iii. The Joint Committee shall at all times have regard to the principles set out in Schedule 1.

Functions in relation to the Operator(s)³:

- i. Specifying Operator services: deciding, in consultation with the Councils, the specification of Services and functions that each Operator will be required to deliver including the sub-funds and classes of investments required to enable each Council to execute its investment strategy;
- ii. Procuring an Operator: agreeing the method and process for the procurement and selection of one or more Operators;
- iii. Appointing an Operator: making a recommendation to the Councils as to the identity of each Operator and the terms upon which each Operator is to be appointed;
- iv. Reviewing the Performance of an Operator: keeping the performance of each Operator under review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the ASU to enable it to do so including but not limited to:
 - a. the performance of an Operator against its contractual requirements and any other performance measures such as any Service Level Agreement (SLA) and key performance indicators (KPIs) and officer recommendations on any remedial action;
 - b. sub-fund investment performance;
 - c. investment and operational costs including the annual review of investment manager costs; and
 - d. performance against the strategic business plan agreed by the Councils.
- v. Managing the Operator(s): The Joint Committee shall:

³The person appointed by the Councils from time to time to provide the Services.

- a. make recommendations to the Councils on the termination or extension of the Operator Agreement(s);
- b. make decisions about any other action to be taken to manage an Operator Agreement including the giving of any instruction or the making of any recommendation to the relevant Operator including but not restricted to recommendations on investment managers (within any regulatory constraints that may apply); and
- c. make recommendations to the Councils about appropriate arrangements to replace an Operator Agreement on its termination.

Functions in relation to Management of Pool Assets:

- vi. The Joint Committee shall make recommendations to the Councils on the strategic plan for transition of assets that are to become Pool Assets.

Functions Concerning Pool Aligned Assets:

- vii. The Joint Committee shall make recommendations to the Councils about Pool Aligned Assets in accordance with this Agreement or any other delegation to the Joint Committee by the Councils.
- viii. Specifying services of Pool Aligned Assets Provider(s): deciding, in consultation with the Councils, the specification of Services which any Pool Aligned Assets Provider will be required to deliver including the sub-funds and classes of investments required to enable each Council to execute its investment strategy.
- ix. Procuring a Pool Aligned Assets Provider: agreeing the method and process for the procurement and selection of one or more Pool Aligned Assets Providers.
- x. Appointing Pool Aligned Assets Providers: making a recommendation to the Councils as to the identity of each Pool Aligned Assets Provider and the terms upon which each Pool Aligned Assets Provider is to be appointed.
- xi. Reviewing the Performance of a Pool Aligned Assets Provider: keeping the performance of each Pool Aligned Assets Provider under review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the ASU to enable it to do so including but not limited to:
 - a. the performance of a Pool Aligned Assets Provider against its contractual requirements and any other performance measures such as any Service Level Agreement ("**SLA**") and key performance indicators ("**KPIs**") and officer recommendations on any remedial action;
 - b. investment performance of the Pool Aligned Assets Vehicle(s) or sub-funds, as appropriate;

- c. investment and operational costs including the annual review of investment manager costs;
- d. performance against the strategic business plan agreed by the Councils.

Functions concerning Business Planning and Budget:

- xii. Having taken into account of any advice from the Section 151 Officers Group (or, where relevant, recording the rationale for not following such advice), the Joint Committee shall:
 - a. make recommendations to the Councils about the annual strategic business plan for the Pool;
 - b. determine the budget necessary to implement that plan and meet the expenses of undertaking the Specified Functions (insofar as they will not be met by individual transaction costs paid by Councils to the Operator) in accordance with Schedule 5;
 - c. keep the structures created by the Agreement under review from time to time and make recommendations to the Councils about:
 - i. the future of the Pool;
 - ii. any changes to this Agreement; and
 - iii. the respective merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the Councils.

Functions concerning communications:

- xiv. The Joint Committee may agree a protocol for communications in respect of the Pool with third parties, including the LGPS Scheme Advisory Board, other LGPS Administering Authorities, press and relevant Government departments.

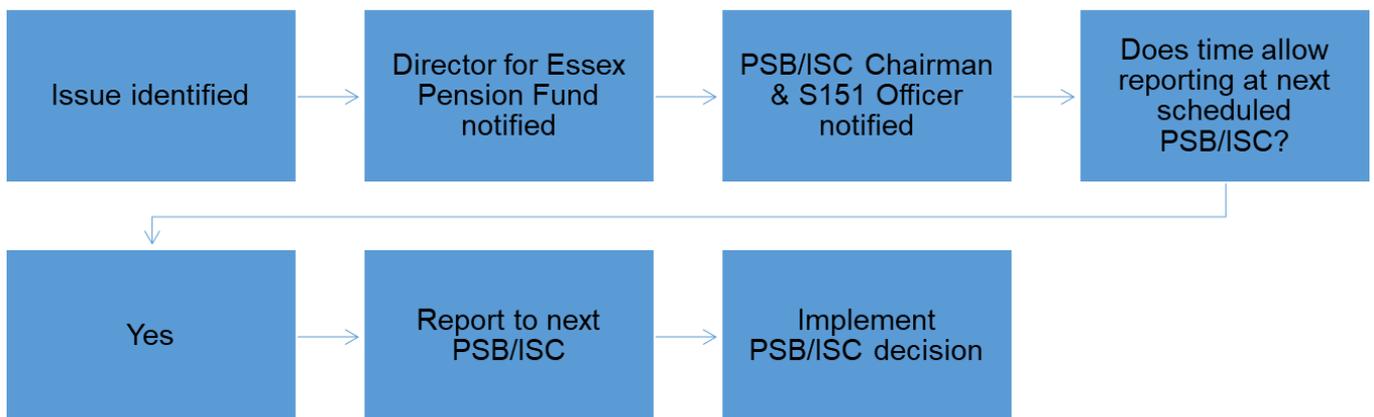
Review of this Agreement:

- xiii. The Joint Committee is required to undertake a review of this Agreement:
 - a. to be completed 18 months before the expiry of each and every Operator Agreement, including as a result of the exercise of any option to terminate an Operator Agreement;
 - b. whenever a Council gives notice of withdrawal under clause 12 of this agreement; or
 - c. at such times as a Council may request under clause 11 (*Variation of this Agreement*).

The Fund's decision-making process

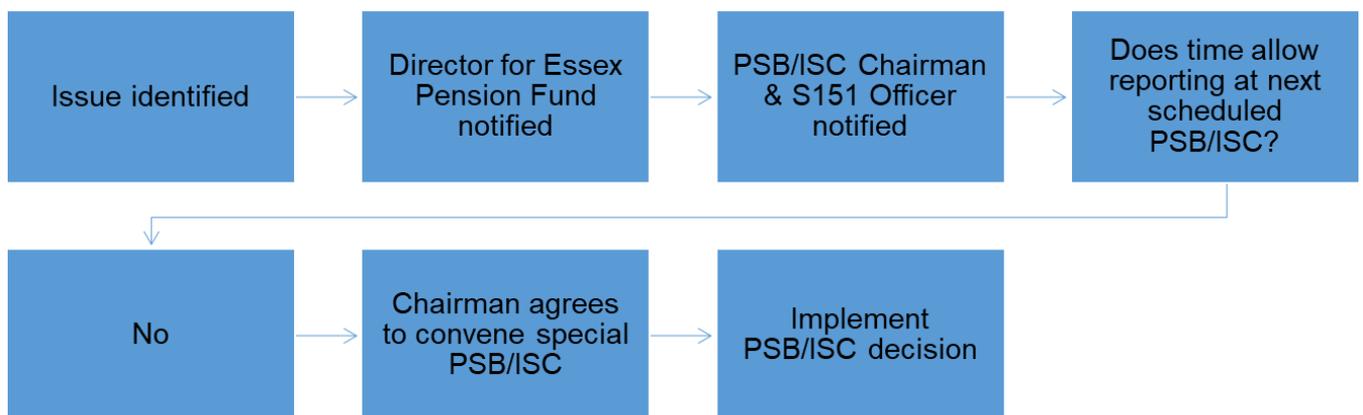
The majority of decisions required to be made by the PSB or ISC are tabled sufficiently in advance to allow members to receive appropriate briefings and make the decision within the normal meeting cycle.

Therefore, the following process is used when there is time to allow a decision to be made at the next scheduled ISC / PSB:



However, the Fund recognises that good governance requires that on occasion the PSB or ISC can respond to urgent matters by taking decisions promptly outside of the normal meeting cycle. On such occasions the following processes may be adopted.

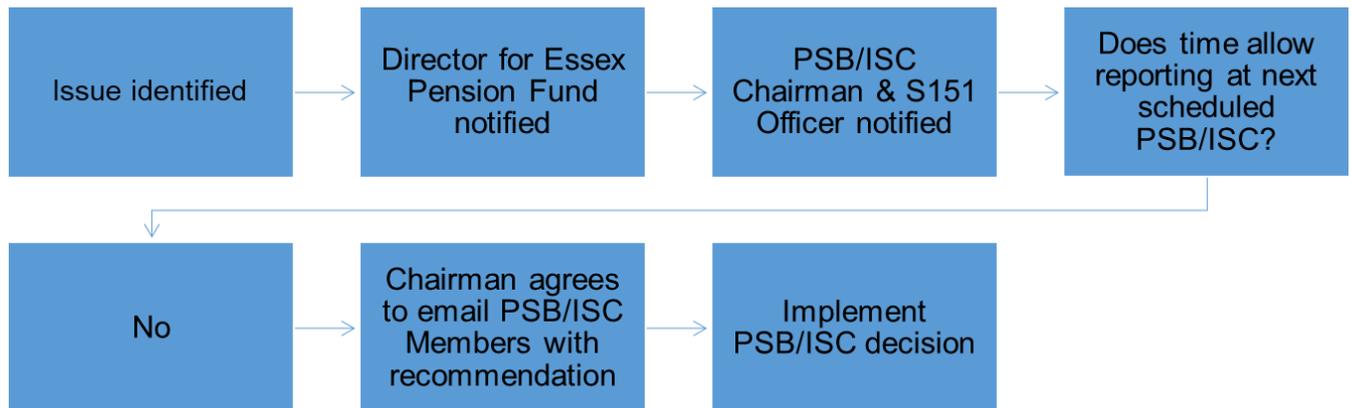
The process to be used when the Chairman agrees to convene a special PSB / ISC meeting:



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The process when there is neither the time for the next scheduled meeting or to convene a special PSB / ISC meeting and the Chairman agrees to email PSB / ISC members with the recommendation:



Training

Essex County Council recognises that effective management, administration and decision making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, PSB, ISC and PAB Members, Scheme Member and Employer representatives are expected to maintain an appropriate level of knowledge and skills to perform their role effectively, and to meet the requirements of overriding legislation, statutory and professional guidance.

All Board/Committee Members will receive appropriate training to fill any knowledge gaps identified and must seek to maintain their knowledge.

The Fund fully supports the use of the CIPFA Code of Practice on LGPS Knowledge and Skills, and its associated Frameworks, and TPR's Code of Practice, as well as understanding the need for appropriate knowledge and skills to allow professional status to be awarded for MiFID II purposes. The Fund adopts the principles and requirements of these and the Fund will strive to achieve those through the use of a two-year rolling Training Plan together with regular monitoring and reporting.

The Fund's Knowledge and Skills Strategy can be found on the Fund's website – <https://www.essexpensionfund.co.uk/essex-pension-fund/about-us/forms-and-publications/>.

In addition, in accordance with the ACCESS Inter-Authority Agreement, the ACCESS Joint Committee is required to ensure that Members appointed to the Joint Committee undertake training to acquire and maintain knowledge and skills relevant to the performance of their duties.

Conflicts of Interest

Conflicts of interest have always existed for those with LGPS Administering Authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the Scheme, as an elected member of an Employer participating in the LGPS or as an Adviser to more than one LGPS Administering Authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS Administering Authorities have both fiduciary and public law duties to act in the best interest of both the Scheme beneficiaries and participating Employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

The Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the PSB Members, ISC Members, PAB Members, Officers and Advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The Policy can be found on the Fund's website – <https://www.essexpensionfund.co.uk/essex-pension-fund/about-us/forms-and-publications/>.

Monitoring Governance of the Essex Pension Fund

The Fund's governance objectives will be monitored on a regular basis. Specific measures and targets are agreed by the PSB and contained in the Fund's Business Plan and Scorecard which is regularly reported to the PSB and PAB.

Key Risks

The key risks to the delivery of this Policy are contained within the Fund's Risk Register which can be found on the [essexpensionfund.co.uk](https://www.essexpensionfund.co.uk) website along with the Fund's approach to Risk Management which is documented within the Fund's Risk Strategy.

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Best Practice Compliance Statement

As required by LGPS Regulations the statement in Annex A compares the Fund's current governance arrangements with the best practice guidance issued by the Secretary of State for Housing, Communities and Local Government. As can be seen, the Fund is fully compliant with all requirements.

Approval

The governance arrangements of the Fund were reviewed in 2019 following consultation with the PSB, ISC and PAB. This version of the Governance Policy and Compliance Statement was approved at the PSB on 17 March 2021. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Governance Policy and Compliance Statement, please contact:

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Email - Amanda.crawford@essex.gov.uk

Jody Evans, Interim Director for Essex Pension Fund
Email - Jody.evans@essex.gov.uk

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Seax House
County Hall
Chelmsford
Essex
CM1 1QH

Governance Policy and Compliance Statement

Governance and Compliance Statement: Section 101 Committees

As can be seen from the table below, the Fund’s governance arrangements in respect of the PSB and ISC are fully compliant with the most recent guidance issued by the Secretary of State for Housing, Communities and Local Government⁴ (issued in 2008):

| Description of Principle | Essex Pension Fund’s Position | Level of Compliance |
|---|---|---------------------|
| A - Structure | | |
| a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council | The PSB was established as the Essex Pension Fund Board in 2008, changing its name on 1 April 2015 following the formation of the PAB. Its Terms of Reference is reviewed on an annual basis. It is an overarching body to oversee the functions of the Council as Administering Authority of the Fund, except where they have been specifically delegated to another committee or officers. Its functions include determining, reviewing and monitoring the Fund's aims and objectives relating to funding, investments, administration, communications and governance strategies, ensuring the proper administration of the Fund including compliance with legislation, and agreeing the Fund's business plans and financial statements. | Fully compliant |
| b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee | Membership of the PSB is drawn from the Council as well as other scheme employers and member representatives. All representatives have full voting rights and receive appropriate training and development. | Fully compliant |

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| Description of Principle | Essex Pension Fund's Position | Level of Compliance |
|--|---|------------------------|
| <p>c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels</p> | <p>In addition to the PSB the Fund has also put in place an ISC. The role of the ISC is to oversee and approve all matters related to the Fund's investments. This includes determining, reviewing and monitoring the aims and objectives of the investment strategy such as deciding asset allocation, and assessing the quality and performance of each Investment Manager and the ACCESS Operator. A report on the business of the ISC is put to every PSB.</p> | <p>Fully compliant</p> |
| <p>d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel</p> | <p>Membership of the ISC is drawn from the Council representatives of the PSB, all of which have full voting rights as well as Employer and Member representatives from the PSB (non-voting Member).</p> | <p>Fully compliant</p> |
| <p>B - Representation</p> | | |
| <p>a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> (i) employing authorities (including non-scheme employers, e.g. admitted bodies); (ii) scheme members (including deferred and pensioner scheme members); (iii) independent professional observers; (iv) expert advisers (on an ad hoc basis). | <p>The Terms of Reference of both the PSB and the ISC set out the representation on including how they are appointed and the Term of Office. This representation covers all types of Scheme Employer as well as Scheme Members as follows:</p> <ul style="list-style-type: none"> • 1 Member Councillor representing Borough, City and District Council in Essex; • 1 Member Councillor representing Southend on Sea and Thurrock Unitary Councils; • 1 Member representing other Employing Bodies (which includes admitted bodies); and • 1 Member representing Scheme Members. <p>In addition, the PSB has appointed an Independent Governance and Administration Adviser to assist the PSB and its Officers.</p> <p>Other Advisers and experts, such as the Fund Actuary, regularly attend PSB meetings.</p> | <p>Fully compliant</p> |

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| Description of Principle | Essex Pension Fund's Position | Level of Compliance |
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| <p>b) that where lay member sits on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights</p> | <p>All Members of the PSB and ISC are treated equally in terms of provision of meeting papers, opportunity to contribute (full voting rights on the PSB) and knowledge and skills training.</p> | <p>Fully compliant</p> |
| <p>C - Selection and Role of Lay Members</p> | | |
| <p>a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee</p> | <p>This is clearly set out in the Terms of Reference of both the PSB and ISC. These are reviewed on an annual basis and are shared with all PSB and ISC Members at the first meeting of the municipal year.</p> <p>The role of Members is covered by their induction and ongoing training.</p> | <p>Fully compliant</p> |
| <p>b) that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda</p> | <p>Declaration of Interests is a standard agenda item at all PSB and ISC meetings. In addition, the Fund has its own Conflicts of Interest Policy that explains the process that all PSB and ISC Members must follow to manage any potential or actual conflicts of interest.</p> | <p>Fully compliant</p> |
| <p>D - Voting</p> | | |
| <p>the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees</p> | <p>All Members of the PSB have full voting rights. While voting rights of the ISC is limited to the County Council Members only, this reflects the fact that ultimately it is the County Council that has the legal responsibility to pay all benefits from the Fund.</p> | <p>Fully compliant</p> |

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| Description of Principle | Essex Pension Fund's Position | Level of Compliance |
|---|---|------------------------|
| E - Training / Facility Time / Expenses | | |
| <p>a) that in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process</p> | <p>The Fund has put in place a comprehensive Knowledge and Skills Strategy, which fully supports the use of the CIPFA Code of Practice on LGPS Knowledge and Skills, and its associated Frameworks, and TPR's Code of Practice, as well as understanding the need for appropriate knowledge and skills to allow professional status to be awarded for MiFID II purposes.</p> <p>The Knowledge and Skills Strategy was established to aid Members of the PSB and the ISC in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the decision-making responsibility put upon them. In addition, the Fund has developed a two-year rolling Training Plan, which ensures the Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise and that they act with integrity and accountability to all stakeholders and decisions, ensuring they are robust and well-based.</p> <p>All costs associated with the attendance of training/conferences away from County Hall for all Board/Committee Members that are relevant and within the Knowledge and Skills Strategy are met by the Fund. Participating Employers are also encouraged to allow facilities' time where relevant.</p> | <p>Fully compliant</p> |
| <p>b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum</p> | <p>The document sets out the Knowledge and Skills Strategy agreed by the PSB concerning the training and development of, and applied equally to, all the Members of the PSB and the ISC.</p> | <p>Fully compliant</p> |

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| c) that the Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken | A log of attendance at all training events is maintained by the Administering Authority and a Training Plan is agreed as part of the Fund's Business Plan each year and updated throughout the year as necessary. | Fully compliant |
| F - Meetings - Frequency | | |
| a) that an Administering Authority's main committee or committees meet at least quarterly | As part of normal practice, the PSB meet a minimum of four times a year in accordance with their Terms of Reference. | Fully compliant |
| b) that an Administering Authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits | The ISC meet a minimum of four times a year. Meetings of both the PSB and ISC are arranged so that quarterly reports are presented to the PSB at each meeting. | Fully compliant |
| c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented | | Not applicable |
| G - Access | | |
| that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee | All Members of the PSB and ISC are provided the same documentation and reports which ensures equal access. In addition, all documentation is provided to the PAB. | Fully compliant |

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| Description of Principle | Essex Pension Fund's Position | Level of Compliance |
|--|---|---------------------|
| H - Scope | | |
| that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements | The role of the PSB is to consider all aspects of the management and administration of the Fund. While certain day-to-day responsibilities have been delegated to Officers and investment decisions to the ISC, via the Council's scheme of delegation, the PSB's remit includes determining, reviewing and monitoring the Fund's aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund including Governance, Funding, Investments, Administration and Communications. | Fully compliant |
| I - Publicity | | |
| that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements | <p>Full details of the governance arrangements of the Fund are contained within this Governance Policy and Compliance Statement as well as additional detail being included within the Fund's Annual Report, both of which are available on the Fund's website www.essexpensionfund.co.uk. All non-exempt reports of the PSB and ISC are also available on Essex County Council's website - https://cmis.essex.gov.uk/essexcmis5/Committees.aspx.</p> <p>All other Policies and Strategies are available on the website.</p> | Fully compliant |

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Responsibilities of other relevant parties

Audit Responsibilities

The Fund is subject to review by both the County Council's External Auditors BDO LLP and internally by Internal Audit. The Pension Fund financial statements contained in the Council's Annual Statement of Accounts present fairly:

- the financial transactions of its Pension Fund during the year; and
- the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

The External Auditor audits the Pension Fund financial statements and gives their opinion, including:

- whether they present fairly the financial position of the Pension Fund and its expenditure and income for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

In carrying out their audit of the financial statements, auditors will have regard to the concept of materiality.

Additionally, the Council must prepare a Pension Fund annual report which should contain the Pension Fund Account and Net Asset Statements with supporting notes and disclosures.

External Audit will review the annual report as a whole and the accounts contained in it and then report:

- whether the accounts contained in the annual report are consistent with the financial statements on which the audit opinion was given; and
- that other information in the annual report is not inconsistent with the financial statements on which the audit opinion was given.

Internal Audit carry out a programme of work designed to reassure the S151 Officer that the following areas have sound systems on internal control in place:

- administering of the pension fund;
- making pension payroll payments;
- funding;
- investments; and
- the fund's overarching governance and decision-making processes.

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External Advisers

- i) Independent Governance and Administration Adviser
 - To prepare for, attend and participate in, meetings of the PSB, PAB and other meetings with Board Members and Fund Officers.
 - To provide guidance on the proper governance and administration of the Fund.
 - To provide advice on best practice and compliance with requirements under relevant guidance, legislation and regulations.
 - To prepare and deliver training and/or presentations to various forums.
 - To assist Fund Officers in the development of governance and administration systems.
 - To provide the tools required to facilitate good governance subject to further agreement where required.
 - To review in house administration systems where required.
 - To provide advice on technical aspects of the LGPS where required.
 - To liaise with other professionals (actuary, legal advisers etc.) where required.
 - To understand the implications of the LGPS Asset Pooling agenda.

- ii) Fund Actuary
 - To carry out triennial valuations of the Fund.
 - To carry out interim reviews of the Fund.
 - To provide actuarial support on outsourcings, insourcings and statutory transfers and the winding up of admitted bodies.
 - To produce the information required to enable the employing bodies in the Fund to meet their obligations under IAS19.
 - To provide ad hoc actuarial work.
 - To monitor AVC arrangements.
 - To provide advice on the effects of changes in legislation and developments in the pension field.
 - To assist the Fund in the assessment, monitoring and strengthening of employer covenant and risk profile.

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iii) Institutional Consultant Advisers:

- To provide advice to the Fund on investment strategy, asset allocation, benchmark selection and design, investment management structure, legislative changes impacting on the Fund and current emerging issues.
- To prepare and present a report, based on information supplied by the Fund's custodian, on the annual investment performance of the Fund.
- To carry out on behalf of the Fund, when required, the functions of manager selection and manager monitoring.
- To carry out asset/liability modelling studies when required.
- To provide expert commentary on the economy and investment market.
- To attend and advise at all meetings of the ISC and all meetings arranged between its officers, advisers and managers.
- To assist the ISC in its annual review of asset allocation, investment management structure, Investment Strategy Statement and Funding Strategy Statement.

iv) Independent Investment Adviser

- To assist in the determination, preparation and writing where appropriate of agendas, papers and presentations for the meetings of the ISC and Officer and Adviser (O&A) meetings.
- To identify investment issues of strategic importance to the Fund and arrange for their consideration by the ISC e.g. asset allocation, investment, management structure.
- To keep under review the individual investment managers and where necessary put forward proposals for their management, including where appropriate their dismissal.
- To prepare commentary on investment managers performance to be included within the Investment Tables report presented to the ISC.
- To actively assist and prepare reports to enable the Fund to become a signatory to the Financial Reporting Council's 2020 Stewardship Code by March 2022.
- To actively assist in the development and review of the Fund's Engagement Plan relating to investment managers Responsible Investment and Good Stewardship.
- To actively assist and participate with the Fund when requested, in manager searches and other Fund procurement exercises.

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- To assist the ISC in keeping under review its Investment Strategy Statement (including the Fund's Responsible Investment Policy), Funding Strategy Statement and the Asset Liability Study work thereafter.
- When requested by the Fund Officers, attend and participate in monitoring, reviewing and briefing meetings arranged with Investment Managers, limited partners etc. provide briefing note of the meetings for the ISC as and when required.
- To produce and present bite size investment training and thought pieces as and when appropriate.
- To assist in the research, preparation and writing of specific one-off investment related projects as and when required.
- The provision of an annual report detailing the work undertaken for the year by the Independent Investment Adviser.
- Establish a set of mutually agreeable objectives which will be measured on an annual basis.
- To actively participate in all ISC, O&A and training sessions.