

---

## **Minutes of the meeting of the Essex Pension Strategy Board, held in Committee Room 2 County Hall, Chelmsford, Essex on Thursday, 15 September 2016**

### **Present:**

#### **Member**

#### **Essex County Council**

Cllr R Bass (Chairman)

Cllr S Barker

Cllr S Canning

Cllr K Clempner

Cllr N Hume

Cllr J Whitehouse

#### **District/Borough Councils in Essex**

Cllr C Riley

#### **Unitary Councils**

Cllr A Mooring

#### **Scheme Members**

Mrs S Child

#### **Smaller Employing Bodies**

Also in attendance were the following Members of the Pension Advisory Board:

Keith Flowers

Paul Hewitt

Jenny Hunt

The following officers and advisers were also present in support

Kevin

McDonald

Director for Essex Pension Fund

Jody Evans

Graham Muir

Head of Essex Pension Fund

Fund Actuary, Barnett Waddingham

Ian Colvin

Independent Governance and Administration Adviser. Hymans  
Robertson

Mark Norquay

Sara Maxey

Associate Actuary, Barnett Waddingham.

Employer Relationship Manager

Mark Stevens

David Tucker

Independent Investment Adviser

Employer Liaison Manager

Matt Mott  
Ian Myers

Communications Manager  
Committee Officer

**1. Appointment of the Chairman and Vice Chairman**

The Chairman informed Members that following the meeting of the Full Council in May 2106 and the July 2016 Investment Steering Board, he had been re-appointed Chairman of both the ISC and of this Board. Cllr Susan Barker had been appointed his Vice-Chairman.

**2. Board Membership and Terms of Reference**

Members received report EPB/21/16 from the Secretary to the Board which detailed the Board's membership and terms of reference.

The Chairman welcomed Cllr Andrew Mooring from Southend-On-Sea Borough Council who had replaced Cllr Woodley.

The Chairman also updated Members with the following appointments to the Pension Advisory Board:  
Cllr Hebb - Thurrock Council

**3. Apologies for Absence**

Apologies were received from Jenny Moore and it was noted that Cllr Bobbin was not in attendance.

It was noted that Cllr Simon Walsh, Nicola Mark and Mark Paget from the Pension Advisory Board were unable to observe the meeting.

**4. Declarations of Interest**

The Chairman requested Members declare any interests as appropriate.  
Cllr Colin Riley declared he was in receipt of an Essex LGPS pension.

**5. Minutes**

**Resolved:**

That the minutes of the Essex Pension Strategy Board held on 13 July 2016 be approved as a correct record and signed by the Chairman

**6(i) Triennial Actuarial Valuation**

Prior to a presentation on the Triennial Actuarial Valuation by the Fund Actuary, the Director for Essex Pension Fund contextualised the current position by briefing Members in particular on:

- the Government Actuary Department (GAD) analysis of funds and their review of the 2013 valuations;

- both the Ministerial Statement & CIPFA guidance on the primacy of solvency and stability is only desirable;
- the consultation of the solvency regime for the FE & sixth form colleges; and
- the fact that this was first Valuation since the inception of Local Pension Boards

The Fund Actuary presented to Members a very detailed account on the data that is used, how the valuation is carried out and key issues of the 2016 valuation which focused on:

- assets and liabilities
- annual accounting valuations & GAD valuations
- asset growth
- Funding Strategy Statements
- projections and probabilities
- discounting expected payments
- cash flows
- Comparisons between different Funds & section 13 valuations.
- financial and demographic assumptions
- inflation
- discount rates

The assumptions (see table below) including the discount rate of 5.1% (equivalent to CPI + 2.7%) and Funding Level of 89% as at 31 March 2016, that were presented were discussed and agreed.

		31 March 2016	31 March 2013
Discount rate		5.1% p.a.	5.8% p.a.
Pay increases	Long-term	3.9% p.a.	4.5% p.a.
	Short-term	CPI for period from 31 March 2016 to 31 March 2020	In line with CPI for period from 31 March 2013 to 31 March 2015
Retail Price Inflation (RPI)		3.3% p.a.	3.5% p.a.
Consumer Price Inflation (CPI)		2.4% p.a.	2.7% p.a.
Pension increases		2.4% p.a.	2.7% p.a.
Post-retirement mortality (member) - base table		S2PA tables with a multiplier of 105% for males and 100% for females	S1PA tables
Allowance for improvements in life expectancy		2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.

The Chairman thanked the Fund Actuary for his presentation.

#### **6(ii) Draft Funding Strategy Statement**

Members received a joint report EPB/22/16 by the Head of Essex Pension Fund and the Director for Essex Pension Fund.

The Director for Essex Pension Fund updated Members on:

- The requirements of the administering authority
- The draft strategy
- Future actions

Members were informed the final strategy will require approval in March 2017 and following discussion it was:

#### **Resolved:**

- That the PSB note the context in which the 2016/17 Actuarial Valuations take place.
- That the PSB consider and agree the draft FSS for consultation with Fund employers in accordance with the timescales outlined in paragraph 6.1 of the report.
- That the draft FSS is passed to the Pension Advisory Board (PAB) for comment.

#### **7. Local Government Pension Scheme Reform - Pooling**

Members received a presentation from the Director for Essex Pension Fund which provided the latest details on pooling arrangements. Members noted in particular:

- The proposed pooling structure (ACCESS)
- The Collective Investment Vehicle (CIV) operator functions
- Rent v Build
- Regulatory Risk
- The proposed timetable

Members were informed that on the question of whether to build and own its own FCA regulated Operator or rent a third party Operator, the Chairmen of the ACCESS pool decided unanimously to rent initially.

The Chairman requested that to enable the formal agreement of full Council that, if possible, a report be taken to the December 2016 Full Council to add legality to these proposed arrangements.

#### **Resolved:**

To note the decision taken by the ACCESS Chairmen at their meeting on 2<sup>nd</sup> September 2016.

Members also reviewed and discussed the Hampshire Pension Fund letter to Secretary of State and agreed that the Chairman write a letter on behalf of the Essex Pension fund.

**8. Update on Pension Fund Activity**

Members received report EPB/23/16 from the Director for Essex Pension Fund and Head of Essex Pension Fund which provided an update on the 2016/17 Business Plan, three year Business Plan, Risk Management and Scorecard.

Members were appraised of the objectives, the risks and progress against made against the objectives, noting in particular any areas of concern.

**Resolved:**

That the report be noted.

**9. Review of the Essex Pension Fund Advisory Board**

Members received report EPB/24/16 from the Head of Essex Pension Fund and the Independent Governance & Administration Adviser which highlighted the timescales for the review of the Pension Advisory Board (PAB) required under the Terms of Reference.

**Resolved:**

That the report be noted

**10. Investment Steering Committee (ISC) Quarterly Report**

Members received report EPB/25/16 which provided details on ISC activity since the last Board meeting.

**Resolved:**

That the report be noted

**11. Draft External Audit - Annual Governance Report**

Members received report EPB/26/16 which gave Members information on the Pension Fund Audit results report.

**Resolved:**

That the report be noted

**12. Pension Fund Accounts**

Members received report EPB/27/16 by the Executive Director for Corporate and Customer Services which provided Members with the Pension Fund financial statements for 2015/16.

**Resolved:**

That the report be noted.

**13. Date of Next Meeting**

Members noted the next meeting of the Board would be held at 2.00pm on Tuesday 13 December.

**14. Exclusion of the Press and Public**

**Resolved:**

That, having reached the view that, in each case, the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following item of business on the grounds that they involved the likely disclosure of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**15. Cessation Payment Plan**

(Exempt under paragraph 3 – information relating to the financial business affairs of a particular person)

Members received report EPB/28/16 from the Director for Essex Pension Fund and Head of Essex Pension Fund.

It was agreed that the supporting letter be circulated to Members following the meeting.

**Resolved:**

That the proposal made in the supporting letter be accepted

**16. Employer Analysis**

(Exempt under paragraph 3 – information relating to the financial business affairs of a particular person)

Members received report EPB/29/16 from the Director for Essex Pension Fund and Head of Essex Pension Fund.

**Resolved:**

That the report be noted

**Chairman  
13 December 2016**