

Essex Pension Fund Board

**Minutes of a meeting of the Essex Pension Fund Board held at 2.30 pm
at County Hall, Chelmsford on 31 March 2010**

Membership/Attendance

Essex County Council (6)

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| * Cllr R L Bass (Chairman) | * Cllr A J Jackson |
| * Cllr Mrs T M Chapman (Deputy Chairman) | * Cllr M J Lager (substitute for Cllr S Candy) |
| * Cllr D M Finch | * Cllr T C Smith-Hughes |

District/Borough Councils in Essex (2)

- | | |
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| * Cllr J P F Archer, Maldon District Council | * Cllr Mrs P A Challis, Castle Point Borough Council |
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Unitary Councils in Essex (1)

Cllr B Johnson, Thurrock Council

Essex Police Authority (1)

- * Cllr S M Walsh

Essex Fire Authority (1)

- * Cllr E C Johnson

UNISON (to represent all Scheme members) (1)

- * Mr A Meyrick

* Present

The following were also in attendance:

Margaret Lee	Chief Financial Officer
Martin Quinn	Head of Investments
Kevin McDonald	Group Manager, Investments
Jody Evans	Pensions Services Manager
David Tucker	Employer Liaison Manager
Karen McWilliam	Independent Governance and Administration Adviser
Paul Middleman	Mercer
Nigel Thomas	Mercer
Natalie Thoms	Audit Commission
Judith Dignum	Governance Officer

1. Membership of the Board

The Board noted the recent appointment of Councillor Barry Johnson (Thurrock Council) to represent Unitary Authorities.

2. Apologies for Absence

Apologies for absence were received on behalf of Councillors S Candy (for whom Cllr M J Lager was substituting) and B Johnson.

3. Declarations of Interest

No declarations of interest were made.

4. Minutes

Resolved:

That the minutes of the Essex Pension Fund Board held on 16 December 2009 be approved and signed by the Chairman as a correct record, subject to the substitution of 'M C Lager' for 'M J Lager' in the list of those present.

5. Pension Board Training

The Board received a report (EPB/01/10) by the Independent Governance and Administration Adviser which provided an overview of progress made against the agreed training plan, sought feedback on training events held to date and proposed further training and development activities.

The Chairman welcomed the development of the training programme and referred to the training on admissions and bulk transfers which had been held prior to the meeting. Members commented that, in general, they had benefited from the sessions offered to date, in particular where the material had been presented in a way that was easy to understand. A request was made to provide a refresh of training on basic pensions and investment terminology.

The following matters arose in considering future training and development activities:

- a re-run of the training on general LGPS and pension matters would be arranged for new members and those who had been unable to attend on 4 March
- the Chairman commended the Baillie Gifford Local Government Investment Seminar and Training event to be held in Edinburgh on 6/7 October 2010. Members who wished to attend should advise the Governance Officer at the end of the meeting
- Members who wished to attend any of the conferences referred to in the report should contact the Head of Investments or the Governance Officer. Delegates would be asked to provide a brief report to the Board following their attendance.
- Members would be contacted concerning arrangements for the proposed half day training on investments.

Resolved:

1. That the progress made with regard to training be noted.

2. That Members' feedback on the activities held to date be noted and taken into account in planning future events
3. That the arrangements for future training and development activities be noted.
4. That Members contact the Head of Investments or the Governance Officer if they wish to attend any of the conferences referred to in the report.

6. Record of Member Attendance

The Board received a report (EPB/02/10) by the Governance Officer setting out Members' attendance at Board and Investment Steering Committee meetings and training events since May 2008 and proposing that a similar report be submitted annually.

A supplementary report was circulated at the meeting detailing the following amendments to Annex A (Attendance at Meetings of the Essex Pension Fund Board):

- Cllr John Archer had been present at the training event on 4 March and should therefore be shown with a total attendance rate of 100%
- Tony Meyrick had attended four out of a possible six sessions and should be shown with a total attendance rate of 67%.

In considering the Annex, Councillor Mrs Challis commented that as she had not been appointed to the Board at the time of the first meeting on 26 November 2008, she had attended on four of a possible five occasions, rather than six as shown.

The Chairman stressed the importance of active participation in meetings and training events whilst recognising Members' difficulty in combining this with a demanding workload. He undertook to raise the issue of low attendance rates with the members concerned.

Resolved:

1. That the attendance of members at Essex Pension Fund Board and Investment Steering Committee (ISC) meetings and training events as shown in Annexes A and B to the report and as amended at the meeting be noted.
2. That this information be reported to the Board annually in future.

7. Business Plans

The Board received a joint report (EPB/03/10) by the Head of Investments and the Pensions Services Manager which presented a further and final report on progress towards achieving the objectives identified in the 2009/10 Business Plan and submitted the 2010/11 Plan for approval. The 2010/11

Plan was presented in a revised format, detailing objectives and associated action plans for the Fund as a whole organised across the themes of Governance, Investments, Funding, Administration and Communications.

The Board supported the objectives identified in the 2010/11 Plan, expressing the view that they could serve as ongoing mission statements. Members commented that further specific actions were needed for the year ahead and they proposed items which could be considered either as additions to the detailed action plans included at Annex C to the report or as part of the detailed measurement criteria to be developed by Officers once the Plan had been approved.

The following specific actions were suggested:

- Governance: the introduction of the training programme, improvements to communication and the review of Board membership towards the end of the year.
- Investments: compliance with the Statement of Investment Principles
- Communications: consultation with employers concerning the determination of individual contribution rates, the possibility of producing a 'short report' as an alternative to the full annual report and accounts

With regard to any future review of the Board's effectiveness, it was suggested that self-assessment, possibly facilitated by peer review, could form part of the process.

Consideration was given to the issue of incorrectly paid pensions and the Board was pleased to note that this did not present a significant problem in Essex. The role of internal audit in the issue was clarified. Potential means of ensuring that the situation remained under control were mentioned. These included annual 'life certificates' where pensioners were required to sign a statement each year to confirm their continuing eligibility to receive a pension, and the possibility of maintaining a record of numbers of changes of details notified compared with numbers of changes to details performed. The need to approach the issue with sensitivity was emphasised.

Resolved:

That the Essex Pension Fund Business Plan for 2010/11, as amended at the meeting, be approved.

8. Forward Look

The Board considered a report (EPB/04/10) by the Governance Officer which presented a Forward Look detailing the Board's future business and proposed that this be included as a standard item on future agendas.

Members suggested amendments to the Forward Look and noted that it would be updated to reflect comments and decisions made at this meeting and subsequently on an ongoing basis.

Resolved:

That the Forward Look, as amended at the meeting, be approved.

9. Essex Pension Fund Treasury Management Policy and Strategy

The Board considered a report (EPB/05/10) by the Chief Financial Officer which presented for approval a draft Essex Pension Fund Treasury Management Policy and Strategy. In introducing the report the Head of Investments highlighted the main differences between the Strategy and that which had been prepared for and approved by Essex County Council.

The Board acknowledged that the preparation of a separate Treasury Management Policy and Strategy for the Pension Fund represented a significant milestone. Members expressed their support for the format adopted and paid tribute to officers' efforts in achieving major change in a sensible and pragmatic manner.

Resolved:

That the draft Essex Pension Fund Treasury Management Policy and Strategy be approved.

10. Policies for Admissions and Bulk Transfers

The Board considered a joint report (EPB/06/10) by the Head of Investments, the Pensions Services Manager and the Fund Actuary which detailed proposals for a policy regarding employer admissions and bulk transfers. The report also proposed that further work be carried out to identify any further principles that should be considered for addition to that policy and putting in place a framework incorporating detailed arrangements for its implementation.

In considering the report, Members expressed their support for the principles identified and confirmed that they could be reviewed in future as necessary.

Resolved:

1. That the following policy principles in regard to employer admission and bulk transfers be adopted:
 - 1.1 All transferee admission bodies (i.e. "best value" contractors delivering services to scheme employers) should be accepted for admission into the Fund so long as all the necessary regulatory requirements for admission are satisfied.
 - 1.2 In the case where a contractor wishes to offer a broadly comparable scheme, rather than apply to become an admitted body of the Fund, standardised bulk transfer terms will be offered via the Actuary's letter. The letter will be structured so as to target an asset transfer to the contractor's Broadly Comparable scheme such that it is equivalent to 100% of the past service liabilities reserved for by the Fund in respect of the transferring members' accrued service as at the date of transfer. The Fund will only agree to any variations in the standard in

exceptional circumstances and with the prior agreement of the transferring scheme employer.

- 1.3 Community admission bodies will be accepted for participation in the Fund, or otherwise, on a case by case consideration of the merits of admission and the associated risks to the Fund. In general, a guarantee or alternative surety will be required for all community admission body cases, with this requirement waived at the Fund's discretion on an exceptions basis.
 - 1.4 No special conditions or requirements will apply for transferee admission bodies given their ultimately close links with the Scheme Employer although the Fund retains the right to seek special terms or conditions if these are considered warranted in specific cases.
 - 1.5 For community admission bodies the Fund will consider application of special conditions or requirements as deemed appropriate. Examples of such conditions are:
 - A guarantee from another Fund employer with sufficient covenant strength
 - A surety bond or other contingent asset
 - An independent review of covenant, including the possibility of a parent guarantee
 - 1.6 All community admission bodies will be allowed flexibility to elect to adopt a funding approach prior to termination in line with the 'least risk' exit debt basis, if that is their preference.
 - 1.7 In the case of a transferee admission body, or any participating employer acting as guarantor in the case of non-transferee admission bodies, implementation of an alternative funding basis or approach (including on termination) will be subject to agreement from the relevant guarantor body/scheme employer. Any special funding arrangements between the scheme employer and transferee admission body should be covered by the commercial arrangements, i.e. outside the Fund and not part of the admission agreement.
 - 1.8 The 'least risk' basis of assessment of a termination payment will apply for all admission bodies, except where a successor or guarantor body inherits ongoing responsibility for the orphan liabilities arising on cessation of the admission.
 - 1.9 No future Transferee Admission Bodies will be eligible to join the Small Admitted Bodies Group.
2. That, to enable proper consideration of policy on the adoption of 'least risk' terms for terminations, officers should carry out an analysis of the risk exposure for existing admissions to determine the implications of ringfencing. This analysis should consider those bodies that have no guarantor separately from those that do.
 3. That officers carry out further work on the implementation of the above policy, identifying any further principles for considerations and drawing up an Essex Pension Fund process framework, to cover the terms of acceptance, bulk transfers and terminations within a 'sign posted' policy map, and report back to the Board.

11. Investment Steering Committee (ISC) Quarterly Report

The Board received a report (EPB/07/10) by the Head of Investments which provided an update on ISC activity since the last Board meeting. There had been one meeting of the ISC during that period, on 25 February 2010.

12. Essex Pension Fund Employer Forum Update

The Board received a report (EPB/08/10) by the Head of Investments which provided an update on the Essex Pension Fund Employer Forum held on 12 February 2010.

Members noted that the feedback received had been mainly positive and would be taken into account in the organisation of future events. It was also noted that additional forums were planned throughout 2010 as part of a series of presentations on the outcome of the triennial actuarial valuation of the Fund.

13. Date of Next Meeting

Members noted that the next meeting of the Board would be held on Wednesday 30 June 2010 at 2.00pm

Resolved:

That a training session on valuation and actuarial matters, led by the Fund Actuary, take place at 11.30am on Wednesday 30 June 2010 to be followed by lunch and the Board meeting scheduled for that afternoon.

The meeting closed at 3.20pm.

Chairman
25 August 2010