

Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm at County Hall, Chelmsford on 27 September 2012

Present:

Member**Essex County Council**

Cllr R L Bass (Chairman, in the Chair for items 1 – 15)
Cllr J Aldridge
Cllr D M Finch (Vice Chairman, in the Chair for item 16)
Cllr N J Hume
Cllr M C Lager
Cllr M Mackrory

District/Borough Councils in Essex

Cllr J Archer Maldon District Council
Cllr Mrs P Challis Castle Point Borough Council

Unitary Councils in Essex

Cllr M Healy Thurrock Council
Cllr B Kelly Southend-on-Sea Borough Council

Scheme Members

Mr K Blackburn

The following officers were also present in support:

| | | |
|------------|-----------|---|
| Margaret | Lee | Executive Director of Finance |
| Jody | Evans | Pensions Services Manager |
| Kevin | McDonald | Group Manager, Investments |
| Anne-Marie | Allen | Senior Pensions Consultant (Barnett Waddington) |
| Karen | McWilliam | Independent Governance and Administration Adviser |
| Graeme | Muir | Fund Actuary (Barnett Waddingham) |
| Joanna | Thompson | Contributions Officer |
| David | Tucker | Employer Liaison Manager, Pension Services |
| Judith | Dignum | Governance Team Manager, Secretary to the Board |
| Graham | Hughes | Committee Officer |

1. Apologies for Absence

Apologies for absence were received from Councillors J Aldridge (Essex County Council), M Lager (Essex County Council), E Johnson (Essex Fire Authority), and S Walsh (Essex Police Authority).

In addition, apologies had been received from M Quinn, Head of Investments and N Wood, Assistant Director, Financial Strategy.

2. Declarations of Interest

It was acknowledged that all Councillors under the age of 75 were entitled to join the Local Government Pension Scheme and some Board members had done so.

Councillor Mackrory declared a personal interest, in that he was a deferred pensioner of the Essex Pension Fund and his son was an employee of Aviva Pensions department.

3. Minutes

Resolved:

That the minutes of the Essex Pension Fund Board held on 7 March 2012 be approved as a correct record and signed by the Chairman subject to the following addition: Minute 4, at the end of the second paragraph add 'Pensions Department' after 'Aviva'.

4. Local Government Pension Scheme update

The Board received and noted an oral update from the Pensions Services Manager. Full statutory consultation on the proposed changes to public sector pensions was expected imminently.

5. 2012 Interim Funding review

The Board received a report (EPB/23/12) by the Fund Actuary and the Group Manager Investments. The Board also received a presentation from the Fund Actuary outlining the funding models and assumptions used in conducting fund valuations and the impact of current economic conditions on equity and gilt yields and the discount rates on asset values, funding levels and employer contribution rates.

The Fund Actuary highlighted that the employee option of a 50% reduced pension contribution in return for a proportionate reduced pension entitlement could be a significant factor in determining future employer contribution costs. The Fund Actuary also noted that the cost of the new scheme would vary between employers, and the existing deficit would continue to be a key factor in the calculation of employer contribution rates.

Resolved:

(1) That the 31 March 2012 Interim Funding Review report be noted.

(2) That no changes, at this time, be made to the Essex Pension Fund's Funding Strategy Statement.

Governance

6. Update on Pension Fund Activity

A 2011/12 Business Plan

B Risk Management

C Measurement against Fund Objectives (Scorecard)

The Board considered a joint report (EPB/24/12) by the Group Manager Investments and the Pensions Services Manager, which provided an update on the 2012/13 Business Plan, risk management and scorecard recording measurement of progress against objectives.

In connection with the business plan, six of the 22 actions agreed by the Board at its meeting on 7 March 2012 were complete, with a further thirteen in progress. The remaining three actions were scheduled to commence later in the year.

Other key developments as outlined in the report on the Business Plan and Risk Management were noted.

With regard to Annex C (Measurement against Fund Objectives), the Board gave consideration to the scorecard, seeking clarification on points of interest and explanations for areas of concern. Most measures had not changed significantly. Since the last meeting a number of changes had also been made to the scorecard and these were outlined by officers.

The Annual Return for investments in 2011/12 was 1.5%, resulting in a ranking of fifth out of the six LGPS Funds in a selected group of statistical neighbours. The annual return of 1.5% outperformed the 2011/12 benchmark of 0.7% and the five year annualised return equalled the benchmark of 2.8%.

A new measure to 'Recognise in drawing up its Funding Strategy the desirability of employer contributions that are as stable as possible' was outlined. During consultation on the 2011 Funding Strategy, each of the 17 major presenting bodies were typically offered three options for employer contributions. These options included a set of contributions which would increase by no more than 1% per year and 3% per valuation.

The score and status for Measure 3.4 (Manage employers' liabilities effectively) reflected (i) the liquidation of the Connaught Partnership Limited and that, despite receiving payment against a surety bond, there remained a potentially unrecoverable amount; and (ii) there remained an unrecoverable deficit arising after receiving a final settlement from the liquidators of Chelmsford Agency for Voluntary Services. Members noted that as the Measure was updated quarterly, the 'amber' rating in respect of 3.4.3 would be updated in the next report.

Issues impacting on the scores for the measure 4.1 (Deliver a high quality, friendly and informative service) were outlined including the delayed changes to regulations and factors required to calculate transfers, and significant increases in the demand for estimates of retirement benefits.

Resolved

That the update be noted.

7. Pension Fund Board Representative for the Essex Police Authority

The Board considered a joint report (EPB/25/12) by the Secretary to the Board, the Pensions Services Manager and the Group Manager Investments highlighting the forthcoming changes to the Essex Police Authority and how this impacted on the Essex Pension Fund and its Board.

Resolved:

- (1) That the abolition of the Essex Police Authority and the movement of liabilities and notional assets to its successor body, the Essex Police & Crime Commissioner (EPCC) be noted;
- (2) That the Council be recommended to amend the membership of the Board (as set out in paragraph 8.1.7 of the s Constitution) to with effect from 22 November 2012 by the deletion of 'one member representing Essex Police Authority' and its replacement by 'one member representing the Essex Police & Crime Commissioner;;
- (3) That further actions and decisions required upon subsequent transfer of some staff to the Essex Chief Constable be the subject of a further report to the Board once the date of transfer and details are known; and
- (4) That appropriate induction training be provided to the new appointee.

8. Governance Policy and Compliance Statement

The Board considered a joint report (EPB/26/12) by the Secretary to the Board, the Pensions Services Manager and the Group Manager Investments comprising an updated Governance Policy and Compliance Statement.

Development of a Conflicts of Interest Policy for agreement by the Board, which would be incorporated into the Governance Policy at a later date, would be deferred until Essex County Council had completed its review of its own Code of Conduct, which included elements relating to Conflicts of Interest. It was acknowledged that elected members would likely be governed by their own particular authority's code in any case and that a policy for the Board was required to ensure that all members (including those not publicly elected) observed the same standards.

Resolved:

- (1) That the Fund's updated Governance Policy and Compliance Statement be agreed.

9. Annual Governance Report for the Essex Pension Fund Accounts 2011-12

The Board received a report (EPB/27/12) comprising the Annual Governance Report for the Pension Fund by the District Auditor which had been presented to ECCs Audit Committee earlier in the week. An unqualified audit opinion had been given and no weaknesses in internal control had been identified.

Resolved:

That the report comprising the Annual Governance Report for the Pension Fund by the District Auditor be noted.

10. Investment Steering Committee Quarterly Report

The Board received and **noted** a report (EPB/23/12) by the Group Manager Investments which provided an update on the ISC activity since the last Board meeting.

11. Forward Look

The Board received and **noted** a report (EPB/29/12) by the Secretary to the Board which presented a Forward Look detailing the Board's future business. The Localism Act now required that all private executive decision-making meetings were subject to a 28 clear day notice period to allow public representation to be made to object to a meeting being held in private where public concerns were being discussed. Legal advice was being sought but it was thought that the Pension Fund Board would not be classified as an executive decision-making body and that, therefore, this requirement would not apply to it.

12. Dates of Future Meetings

The Board considered a report (EPB/30/12) comprising a schedule of meetings for the Municipal Year 2013/14.

Resolved:

That the schedule of meetings for the Municipal Year 2013/14, as set out below, be agreed.

| Day | Date | Time | Event |
|------------|-------------------|-------------|-------------------------|
| Wednesday | 22 May 2013 | 2.00pm | Training (Induction) |
| Wednesday | 10 July 2013 | 2.00pm | Board Meeting |
| Wednesday | 18 September 2013 | 2.00pm | Board Meeting |
| Wednesday | 13 November 2013 | 10.00am | Strategy Day |
| Wednesday | 11 December 2013 | 2.00pm | Board Meeting |
| Wednesday | 22 January 2014 | 2.00pm | Training |
| Wednesday | 5 March 2014 | 2.00pm | Board Meeting |
| Wednesday | 21 May 2014 | 2.00pm | Training |

13. Date of Next Meeting

The following had been scheduled and would begin at 2.00pm (with the exception of the Annual Strategy Day):

| | |
|------------------|----------------------------------|
| 14 November 2012 | Annual Strategy Day |
| 13 December 2012 | Board meeting |
| 23 January 2013 | Board member training (all day)* |
| 6 March 2013 | Board meeting |

*Previously afternoon only

It was noted that Board meetings would be preceded by a Member Development session between Midday and 1.30pm.

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 items 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. Employer Risk Analysis Update

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

The Board considered a report (EPB/31/11) on the ongoing work undertaken on Employer risk analysis. Members sought clarification and further information on certain matters. The Board noted the conclusions in the report.

Resolved:

That the next steps outlined in the paper from Barnett Waddingham be agreed.

[At this point, Councillor Bass left the meeting and, with the agreement of those present, Councillor Finch took the chair for the remaining item of business. The Independent Governance & Administration Adviser, the Fund Actuary and the Senior Pensions Consultant also left the meeting due to a potential conflict of interest in this item.]

16. Web based facility for Pension Board Members

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

The Board considered a report (EPB/32/12) updating the Board on the progress made by officers in connection with the procurement of a web-based facility for Members to replace the Members' Handbook.

Resolved:

That the FocalPOINT web-based facility proposed by Hymans Robertson be procured at the earliest opportunity.

The meeting closed at 3.10 pm.

Chairman
13 December 2012