

Essex Pension Fund Board

**Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm
at County Hall, Chelmsford on 28 September 2011**

Membership/Attendance

Essex County Council (6)

- | | |
|----------------------------------|-------------------------|
| * Cllr R L Bass (Chairman) | * Cllr N J Hume |
| * Councillor J Aldridge | * Cllr M C Lager |
| * Cllr D M Finch (Vice-Chairman) | * 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 (2)

- | | |
|----------------------------------|---------------------------------------|
| * Cllr M Healy, Thurrock Council | Cllr B Kelly, Southend on Sea Council |
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Essex Police Authority (1)

- * Cllr S M Walsh

Essex Fire Authority (1)

- * Cllr E C Johnson

All Scheme Members (nominated by UNISON)(1)

- * Mr Keith Blackburn

Smaller Employing Bodies (1)

Vacancy

* Present

Councillor G Butland was also in attendance

The following were also present in support:

Jody	Evans	Pensions Services Manager
Peter	Lewis	Interim Assistant Director – Financial Strategy
Kevin	McDonald	Group Manager, Investments
Karen	McWilliam	Independent Governance and Administration Adviser
Paul	Middleman	Fund Actuary (Mercer)
Judith	Dignum	Governance Team Manager, Secretary to the Board

22. Apologies for Absence

Apologies for absence were received on behalf of Councillors Susan Barker and Brian Kelly, and Margaret Lee (Executive Director for Finance), Martin Quinn (Head of Investments) and Alex Hallam (Deputy County Solicitor).

Members were sorry to learn that Councillor Brian Kelly was unable to attend the meeting due to an injury to his foot and asked the Secretary to write to him on their behalf expressing their good wishes.

The Board was also sorry to hear that Martin Quinn was unwell. The Chairman advised that he had written to Mr Quinn extending good wishes for a speedy return to good health. Kevin McDonald updated Members on Mr Quinn's recovery and passed on his thanks for their good wishes.

23. Introductory Remarks

The Chairman welcomed Councillor Martin Healy and Mr Keith Blackman to their first meeting of the Board. Cllr Healy had been nominated by Thurrock Council as one of the representatives of Unitary Authorities in Essex and Mr Blackman had been nominated by UNISON to represent all Scheme Members, filling the vacancy created by the resignation of Mr Tony Meyrick.

The current membership of the Board was highlighted and Members noted that the election of the representative of Smaller Employing Bodies would take place at the Employer Forum in January 2012.

24. 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.

No further declarations of interest were made.

25. Minutes**Resolved:**

That the minutes of the Essex Pension Fund Board held on 29 June 2011 be approved as a correct record and signed by the Chairman, subject to the substitution of the word 'Board' for 'Forum' in the first line of minute 3 (Introductory Remarks).

Funding**26. Interim Review of the Fund as at 31 March 2011**

The Board received a report (EPB/24/11) by the Group Manager Investments and the Fund Actuary which provided an update on the Interim Funding Review undertaken by the Fund Actuary as at 31 March 2011

The Board also received a detailed presentation from Paul Middleman, the Fund Actuary, which provided a recap on the Valuation of the Fund as at 31 March 2010 and detailed the results of the Interim Review. The Board noted the Summary and Recommendations which were that at 31 March 2011 the funding plan was on track, although recent volatility in equity markets had reduced the Funding Level. It was highlighted that, ignoring income from invested assets, the Fund is likely to remain cashflow positive for the next 12 – 13 years i.e. up to 2023/24. However, allowing for cash generated from investment income the period extends to 2038..

The Chairman thanked Mr Middleman for his clear and informative presentation.

Resolved:

1. That the report be noted.
2. That no change be made to the Funding Strategy at this time
3. That a presentation on the Interim Review be included on the agenda for an Employers' Forum to be held in January 2012.

27. Local Government Pension Scheme Reform - Update

The Board received a verbal update from the Fund Actuary, Paul Middleman, on Local Government Pension Scheme reform. Copies were circulated of a letter from the Local Government Group (LGG) to Local Authority Leaders and Chief Executives setting out the background to and content of the Group's response to the Secretary of State for Communities and Local Government detailing proposals to achieve savings equivalent to a 3.2% increase in employee contribution rates.

It was noted that although the original intention had been for the LGG and the Local Government trade unions to agree a joint response, this had not been achieved and the trade unions had not yet made any representation to the Secretary of State.

Mr Middleman highlighted and commented upon the main aspects of the LGG's proposals.

In considering the proposals, the Board expressed serious concern at the administrative costs and complexity associated with the implementation of differential accrual rates. Members did not wish to comment on other aspects of the LGG's response, for example in relation to potential increases in the retirement age and employee contribution rates, as they believed these to fall within the responsibilities of employers rather than administering authorities.

At its meeting on 15 December 2010, the Board had agreed to establish a sub-group to debate and feed into consultation on local government pension reform. Members acknowledged that a meeting of the group was likely to be required soon. It was agreed that the membership should be broadened from three to four members, comprising two from Essex County Council (Councillors N J Hume and J Aldridge), the representative of Scheme Members (Mr K Blackburn) and one other from a different employing authority (Councillor E C Johnson, Essex Fire Authority).

Resolved:

1. That the Board's response to the LGG's proposals be to express serious concern at the administrative costs and complexity associated with the implementation of differential accrual rates.
2. That the membership of the Pension Reform Sub-Group comprise a total of four members, two from Essex County Council (Councillors N J Hume and J Aldridge), the representative of Scheme Members (Mr K Blackburn) and one other from a different employing authority (Councillor E C Johnson, Essex Fire Authority).
3. That the Pension Reform Sub-Group be convened as required and report back to the Essex Pension Fund Board as necessary.

28. 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/25/11) by the Group Manager Investments and the Pensions Services Manager which provided an update on the 2011/12 Business Plan, risk management and scorecard recording measurement of progress against objectives

In considering Annex A (2011/12 Business Plan), the Board discussed whether there was a need for more regular monitoring of the funding position given current market volatility. The general view was that the current arrangements were adequate and that a long-term view needed to be taken with regard to market performance. The situation was constantly monitored and additional meetings of the Investment Steering Committee could be arranged if necessary.

Members also considered the issue of potential covenant risk in certain employers and whether there was a role for stress-testing. It was noted that stress-testing of certain aspects was already undertaken, and that information concerning the liabilities of employers with no covenant would be reported to the Board regularly as part of the scorecard. The Board agreed that the

current arrangements were satisfactory and that officers were well-placed to identify areas of concern.

In considering Annex B (Risk Management) Members agreed that a new risk highlighting a possible reduction in employee participation within the Local Government Pension Scheme should be added to the Risk Register. This reflected a potential consequence of possible changes to public sector pension provision, and subsequent impact on the maturity of the Fund.

With regard to Annex C (Measurement against Fund Objectives), the Board gave detailed consideration to the scorecard, seeking clarification on points of interest and explanations for areas of concern.

Resolved:

1. That the update on Pension Fund activity be noted.
2. That a new risk highlighting a possible reduction in employee participation within the Local Government Pension Scheme be added to the Fund's Risk Register.

29. Pension Fund Board Knowledge and Skills

The Board considered a report (EPB/26/11) by the Independent Governance and Administration Adviser which provided an update on the formalisation of the CIPFA Knowledge and Skills Framework and presented an updated training plan for 2011/12.

Members noted that in future, following the development of what had been voluntary frameworks into formal Codes of Practice, the Fund would be required to state its compliance with the CIPFA Knowledge and Skills Framework and indicate how this compliance had been achieved. With this in mind, the Chairman emphasised the need for Members to participate in the exercise to identify their training needs, either by completing the Training Needs Analysis (of which hard copies were to be distributed) or by arranging a discussion with the Independent Governance and Administration Adviser.

In response to a question, the Independent Governance and Administration Adviser agreed to feedback to CIPFA Members' views regarding the complexity of the Training Needs Analysis.

Resolved:

1. That the updated training plan attached as Annex C to the report be agreed.
2. That Members participate in the exercise to identify their training needs, either by completing the Training Needs Analysis or by arranging a discussion with the Independent Governance and Administration Adviser.

30. External Auditor's Report: Annual Governance Statement

The Board received a report (EPB/27/11) by the Group Manager Investments which submitted for Members' information the Annual Governance Report for the Pension Fund (AGR) by the District Auditor.

Members were pleased to note that the Audit had been a smooth process resulting in the issue of an unqualified audit opinion and with no important weaknesses identified in the internal control environment.

The report was noted.

Investments**31. Investment Steering Committee (ISC) Quarterly Report**

The Board received a report (EPB/28/11) by the Group Manager Investments which provided an update on ISC activity since the last Board meeting. The ISC had met on one occasion during this period, for the annual strategy meeting on 27 July 2011.

The Chairman reminded those present that all Board Members were welcome to attend ISC meetings and, accordingly, would receive copies of the agenda.

The report was noted.

Administration**32. Administering Authority Policy for Requests for Early Payment of Deferred Pensions**

The Board considered a report (EPB/29/11) by the Pensions Services Manager which submitted for approval a draft policy on dealing with requests to the Administering Authority for early payment of deferred pensions.

In response to question, it was noted that the definition of 'compassionate' was as set out in the appropriate paragraphs of the Principal Civil Service Pension Scheme, as attached to the report as Annex C. It was emphasised that although requests for early payment would not necessarily be cost-neutral, they must be considered on their own merits and must not be determined on the grounds of cost alone.

It was agreed that instances where a positive discretion decision is made should be reported to the following meeting of the Board by use of an additional measure within the scorecard, albeit this was likely to be extremely infrequent.

Resolved

1. That the proposed policy on discretion to allow early payment of a deferred pension where the former employer no longer exists, as set out at Annex D to the report, be agreed.
2. That the right to implement the policy be exercised by the Executive Director for Finance under her delegated powers.
3. That each positive exercise of the discretion be reported to the following meeting of the Board.

Other Issues**33. Forward Look**

The Board received a report (EPB/30/11) by the Secretary to the Board which presented a Forward Look detailing the Board's future business.

34. Calendar of Meetings

The Board considered a report (EPB/31/11) by the Secretary to the Board which proposed a schedule of meetings for the Municipal Year 2012. In addition to the four Board meetings due to be held during this period, the schedule also made provision for an annual Strategy Day in November and for several half day training sessions throughout the year. The purpose of this was to allow longer training/development sessions to be held on separate occasions from Board meetings, with training prior to Board meetings being limited to a maximum of one hour.

Resolved:

That meetings be held on the following dates during the Municipal Year 2012/13:

Day	Date	Time	Event
Wednesday	16 May 2012	2.00pm	Training
Wednesday	11 July 2012	2.00pm	Board Meeting
Thursday	27 September 2012	2.00pm	Board Meeting
Monday	14 November 2012	10.00am	Strategy Day
Wednesday	12 December 2012	2.00pm	Board Meeting
Wednesday	23 January 2013	2.00pm	Training
Wednesday	6 March 2013	2.00pm	Board Meeting

35. Date of Next Meeting

It was noted that the next meeting of the Board would take place on Wednesday 14 December 2011 at 2.00pm. Members undertook to reserve the entire day to allow for a training/development session to be held in the morning.

The meeting closed at 3.35pm.

Chairman
14 December 2011