

Essex Pension Fund Board

Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm
at County Hall, Chelmsford on 7 March 2012

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 K Blackburn

Smaller Employing Bodies (1)

- * Ms J Moore

* Present

County Councillor S Barker (named substitute for the Essex County Council Conservative Group) was also in attendance.

The following officers were also present in support:

Peter	Lewis	Interim Assistant Director – Financial Strategy
Martin	Quinn	Head of Investments
David	Tucker	Employer Liaison Manager
Alex	Hallam	Deputy County Solicitor
Karen	McWilliam	Independent Governance and Administration Adviser
Graeme	Muir	Fund Actuary (Barnett Waddingham)
Judith	Dignum	Governance Team Manager, Secretary to the Board
Graham	Hughes	Committee Officer

1. Apologies for Absence

Apologies for absence were received on behalf of Councillors B Kelly and T C Smith-Hughes, and Margaret Lee (Executive Director for Finance), Jody Evans (Pensions Services Manager), and Kevin McDonald (Group Manager, Investments)

2. Smaller Employing Bodies Representative

The Board received a report (EPB/01/12) by the Secretary to the Board on the election of a Smaller Employing Bodies Representative, which was held at the Employer Forum on 20 January 2012, and this was **noted**. The Chairman welcomed the successful candidate, Jenny Moore, Business Manager at Billericay School to this, her first meeting.

3. 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 Bass declared a non-pecuniary interest under Item 13 (Investment Steering Committee - Quarterly Report) in relation to the selection of the preferred global custodian.

No further declarations of interest were made.

4. Minutes**Resolved:**

That the minutes of the Essex Pension Fund Board held on 14 December 2011 be approved as a correct record and signed by the Chairman subject to the following amendment:

Minute 45(ii) – deletion of ‘using savings from the action in (i) above’ at the beginning so that the item would now read ‘an initial investment had been made in the Stafford Timberland Fund;’.

Funding**5. Local Government Pension Scheme Reform update**

The Board received a brief oral update from the Fund Actuary on the proposed reforms of the Local Government Pension Scheme, noting that an announcement on the finalised proposals was still awaited. The Pension Reform Task and Finish Group might need to convene once this had occurred.

6. Update on emerging employer issues

The Board received a report (EPB/02/12) from the Executive Director for Finance on emerging employer issues.

Central Government had issued a joint note encouraging a consistent approach to the determination of contribution levels for academies joining pension schemes, and the advantages of pooling with the local education authority as a way to achieve such consistency. It was noted that some Essex academies had requested pooling. The issue of further guidance was also expected particularly on contribution arrangements for existing academies who wished to join a pool but had not been treated that way previously. The Essex Pension Fund would be examining the new guidance, once issued, obtain the views of the Fund Actuary and the Association of Consulting Actuaries, before making a full report and recommendation to the Board.

The Essex Pension Fund had been asked by an Employer to consider changing its policy to permit them to continue in the Fund as an employer with no active members, paying contributions in respect of its unfunded liabilities with a similar recovery period and funding assumptions as currently. Officers were researching the implications of such a change with a full report and recommendation to be presented to the Board in due course. Appropriate sureties would need to be in place as a pre-requisite.

The Board **noted** the report.

7. 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/03/11) 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.

It was highlighted that the draft Statement of Investment Principles included a revised expectation for the return on the Funds assets of 6.1%. This revision impacted on two key risks I1 and F2, each of which increased to a residual risk of 9 (from 6). The scorecard continued to be developed with work underway on the suggestions made at the Board's November 'away day'.

£1.5m or 0.04% of the Fund's value had been confirmed as deficit unrecoverable as a consequence of the liquidation of the East of England Tourist Board and highlighted the importance of obtaining surety for Employer liabilities to mitigate the risk of default. Appropriate policies were now in place to prevent this happening for academies, or other new Employers, to the Fund.

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. The Board agreed that further turnaround targets (in working days) should augment 4.1 (to deliver a high quality, friendly and informative service) to provide greater transparency and clearer indications of performance and timeliness.

Part of the communications strategy was to increase accessibility to information for all beneficiaries and employers by encouraging the use of a web interface. However, it was acknowledged that there would be limitations on the interaction possible (e.g. creating refunds would not be possible on-line).

A revised Training Needs Analysis for was now available for Board Members to complete prior to the publication of the Annual Report.

Resolved

1. That measure 4.1 of the Scorecard be amended by the inclusion of the specific turnaround time for despatch of the Annual Benefit Statement
2. That the update be noted.

8. 2012/13 Business Plan

The Board received a joint report (EPB/04/12) by the Head of Investments and the Pensions Services Manager comprising a draft 2012/13 Essex Pension Fund Business Plan for approval. Detailed action plans relating to major milestones and improvements, considered to be particularly relevant to delivering the objectives set out in the Business Plan, were also included.

In relation to Funding actions, it was agreed to include further emphasis on seeking employer covenants in the framework structure and associated documentation.

Resolved:

That the Essex Pension Fund Business Plan for 2012/13 be approved.

9. 2012/13 Treasury Management Strategy

The Board received a report (EPB/05/12) by the Executive Director for Finance seeking Members' approval to the 2012/13 Essex Pension Fund Treasury Management Strategy.

In considering the report, Members requested information about the operation of global liquidity funds as they were concerned that sums were being lodged with them which were greater than those which the Short Term Investment Strategy permitted to be lent to any individual institution. In particular, the

Board sought reassurance that the risk to the underlying investments was proportionate and that there was transparent legal recourse to recover funds.

Despite these concerns Members were not minded to undermine the existing Global Funds arrangements but, due to recent increased market volatility, requested that further information be circulated to them that would give them such reassurance that satisfactory risk management and mitigation was in place.

Resolved:

1. That the 2012/13 Essex Pension Fund Treasury Management Strategy be approved;
2. That further information be circulated on the risk management and mitigation processes in place to protect and recover investments made in GLFs;
3. That only upon a Member subsequently still having concerns would a further review of the GLFs be undertaken.

10. Feedback from Employer Forum

The Board received and noted a report (EPB/06/12) by the Pensions Services Manager providing the Board with details of the feedback received from attendees at the Employers Forum that was held on 20 January 2012.

11. Pension Fund Board Web Based Facility

The Board received a report (EPB/07/12) by the Group Manager Investments, providing an update on the progress made in investigating a web based facility to replace the Pension Fund Board Members' Handbook. The specification which had been sent to potential providers was attached to the report as an appendix.

In response to a query it was noted that, although the general presumption was for information on the site to be publicly available, this would not be possible in certain circumstances. There was therefore a need for the chosen facility to offer robust security provision to protect any sensitive information on the site.

The Board was reassured that ease of use would be included as a criterion for selection of the system.

Resolved:

That authority be delegated to officers to procure, and implement a web based information storage solution for Board Members.

12. Annual Review of Member Attendance

The Board received and noted a report (EPB/08/12) by the Secretary to the Board detailing attendance at Board and Investment Steering Committee meetings and internal training events since 1 March 2011.

Resolved:

1. That the report be noted
2. That details of attendance at external training events be included in future reports.

Investments

13. Investment Steering Committee (ISC) Quarterly Report

The Board received and noted a report (EPB/09/12) by the Head of Investments which provided an update on ISC activity since the last Board meeting.

Communications

14. Review of Fund Communications Policy

The Board received a report (EPB/10/12) by the Pension Services Manager, presenting a revised Essex Pension Fund Communications Policy for approval.

Some further key improvements, necessary to meet the Fund's communications objectives and the revised policy, had been included in the 2011/12 Fund Business Plan with further work also incorporated into the 2012/13 Business Plan. Some of these improvements were likely to require additional resources and would be submitted to the Board at a later date.

In response to questions, it was confirmed that the responsibility for communicating with transferees lay with the employer and not with the Essex Pension Fund. It was also noted that, although the dedicated pensions telephone helpline was not integrated with Contact Essex, any callers to Contact Essex requesting pension information and advice could be transferred direct to the pension helpline .

Resolved:

1. That the revised Essex Pension Fund Communications Policy be approved;
2. That the improvements in Fund communications already been achieved by officers and the further improvements which would be necessary to meet the Fund's objectives as outlined in the policy be noted.

Administration

15. Review of Additional Voluntary Contributions (AVCs) arrangements

The Board received a report (EPB/11/12) by the Pensions Services Manager updating the Board on the progress of a review of AVC arrangements. The following issues arose from consideration of the report:

- Members requested that a criterion for selection should be that the new provider provide data on their performance compared with that of the previous provider to assist Fund Members in reaching a decision whether to transfer
- Members were reassured that that commentary in the Fund documentation would be clear that investment in AVCs was an individual choice and that the Fund did not give advice or recommend any particular provider.

The Board noted the progress made to date and that the review would be completed as part of the 2012/13 business plan. Appointment of the new provider would be reported to a future meeting of the Board for information.

16. Administration Strategy

The Board received a report (EPB/12/12) by the Pensions Services Manager comprising the first draft of an Essex Pension Fund Administration Strategy. The Administration Strategy had been developed following consultation with employers in the Fund and set out the quality and performance standards expected of Essex County Council, in its role as administering authority and scheme employer, as well as all other scheme employers within the Fund.

Resolved:

That, subject to Scheme Membership figures being updated and stated at 31 March 2012, the draft Administration Strategy be agreed so as to enable officers to begin consultation with employers and any other interested stakeholders.

17. Forward Look

The Board received a report (EPB/13/12) by the Secretary to the Board which presented a Forward Look detailing the Board's future business. It was agreed to add consideration of the impact of the election of Police and Crime Commissioners to the Forward Look, particularly the anticipated change in the successor employer body and how beneficiaries would be represented on the Pension Fund Board in future.

18. Date of Next Meeting

It was noted that the next meeting of the Board would take place on Wednesday 11 July 2012 at 2.00pm, preceded by a training session at 12pm.

The meeting closed at 3.30pm.

Chairman
11 July 2012