

Annex A

Essex Pension Fund

Governance Policy and Compliance Statement 2011

as at 29 June 2011

Introduction

This Policy and Compliance Statement outlines the governance arrangements for the Essex Pension Fund, maintained by Essex County Council, as required by regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

Under that provision all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, revise it following any material change in their delegation arrangements and publish it. The statement is required to set out:

- a. whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- b. if they do so
 - i. the terms, structure and operational procedures of the delegation;
 - ii. the frequency of any committee or sub-committee meetings;
 - iii. whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and if so, whether those representatives have voting rights.
- c. the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

Each administering authority is required to:

- a. keep the statement under review;
- b. make such revisions as are appropriate following a material change in respect of any of the matters mentioned in paragraph (3); and
- c. if revisions are made—
 - i. publish the statement as revised, and
 - ii. send a copy of it to the Secretary of State.

In reviewing and making revisions to the statement, the authority must consult such persons as it considers appropriate.

This Policy and Statement was made and approved by the Essex Pension Fund Board on 29 June 2011, taking into account decisions made by Essex County Council on 10 May 2011 regarding the structure of the Board.

About The Essex Pension Fund

Under the Local Government Pension Scheme (Administration) Regulations 2008, Essex County Council is required to maintain a pension fund (the Fund) for its employees and those of other Scheduled Bodies within its area. The Fund is also empowered to admit the employees of certain other bodies.

Essex County Council therefore administers the Fund for its own employees and those of the 14 District/Borough/Unitary Councils and numerous other bodies. In total there are over 400 separate employing bodies in the Fund. The Fund excludes provision for teachers, fire-fighters and police officers, for whom separate arrangements exist.

Benefits are prescribed by, and the Fund is invested in accordance with, the provisions of the following regulations (all as amended):

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

and other saved provisions from previous sets of LGPS regulations.

With effect from 1 April 2008 employee contributions have been banded according to employees' whole time equivalent annual pensionable pay. The rates payable vary from 5.5% to 7.5% of annual pensionable pay.

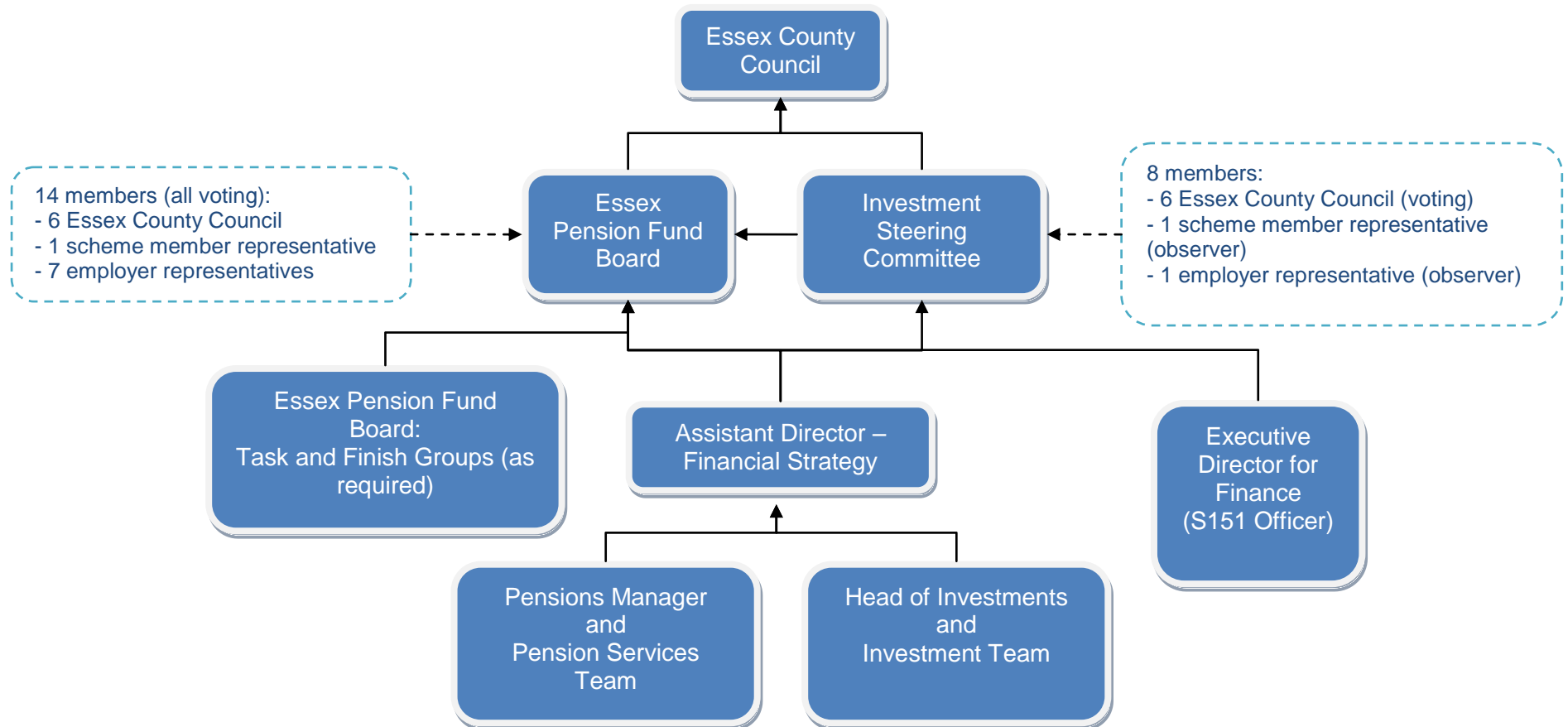
Provisional Membership Summary as 31 March 2011	
Active Members	43,636
Pensioner/Dependants	30,764
Deferred Members	34,737
Total	109,137

* Deferred pensioners are former employees who have chosen not to transfer their pension rights.

At the last triennial valuation of the Fund as at 31 March 2010 Fund assets were £3.085 billion, which represented 71% of the Fund's liabilities. Employers are responsible for paying employer contributions at rates determined by the fund actuary at each triennial valuation.

Governance Structure

The Essex Pension Fund governance structure is illustrated below. This structure relates to administering authority responsibilities only. Essex County Council is also an employer within the Essex Pension Fund. A separate governance structure and Scheme of Delegation is in place in relation to Essex County Council's employer responsibilities:



Scheme of delegations for the Essex Pension Fund

Essex County Council has delegated its functions in relation to the maintenance of the Essex Pension Fund as follows:

1. To the Essex Pension Fund Board:
 - i. To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Essex Pension Fund except where they have been specifically delegated by the Council to another Committee or to an officer; this will include the following specific functions:
 - ii. To monitor and oversee the work of the Investment Steering Committee through its quarterly reports.
 - iii. To monitor the administration of the Pension Scheme, including the benefit regulations and payment of pensions and their day to day administration including the Internal Disputes Resolution Procedures, and ensure that it delivers best value and complies with best practice guidance where considered appropriate.
 - iv. To exercise Pension Fund discretions on behalf of the Administering Authority.
 - v. To determine Pension Fund policy in regard to employer admission arrangements.
 - vi. To determine the Pension Fund's Funding Strategy and approve its Funding Strategy Statement.
 - vii. To receive periodic actuarial valuation reports from the Actuary.
 - viii. To coordinate Administering Authority responses to consultations by Central Government, professional and other bodies.
 - ix. To consider any views expressed by employing organisations and staff representatives.
2. To the Investment Steering Committee:
 - i. to approve and annually review the content of the Statement of Investment Principles.
 - ii. to appoint and review investment Managers, Custodian and Advisors.
 - iii. to assess the quality and performance of each Investment Manager annually in conjunction with investment advisers and the Section 151 Officer.
 - iv. to set the investment parameters within which the Investment Managers can operate and review these annually.

- v. to monitor compliance of the investment arrangements with the Statement of Investment Principles.
- vi. to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis.
- vii. to approve and review the asset allocation benchmark for the Fund.
- viii. To submit quarterly reports on its activities to the Essex Pension Fund Board.

2. To the Executive Director of Finance:

- i. To exercise the functions of the Council in relation to pensions as specified in Schedule 1H of the Regulations 2000.
- ii. Subject to the agreement of the Chief Executive in any case involving a Tier 1 Officer, the County Solicitor, the Monitoring Officer or the Executive Director for Finance, to exercise discretion under the Local Government Pensions Regulations, the Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 2000 and the Teachers Pension Regulations or any regulations replacing or amending the same.
- iii. To manage the Pension Fund including the power to seek professional advice and to devolve day-to-day handling of the Fund to professional advisers within the scope of the Pensions Regulations.

Note 1: The Executive Director for Finance is not empowered to change the managers of the Pension Fund.

Note 2: The operational procedures related to these functions are carried out by the Pensions Team comprising Pension Services and the Investments Team.

3. To the County Solicitor:

To act as the administering authority for the purposes of the pensions complaints procedure

The Pension Board

The Pension Board is composed as follows:

Representing	No	Term of Office	Comments
Essex County Council	6	4 years (from 16.06.09 until 2013 County Council Elections)	
District/Borough Councils in Essex	2	4 years (from May 2011 until 2015 District/Borough Council elections)	Nominated by Essex Borough and District Leaders" /Chief Executives" Meeting
Unitary Councils in Essex	2	4 years (from May 2011 until 2015 Unitary Authority elections)	One each for Southend-on-Sea and Thurrock Councils
Essex Police Authority	1	4 years, from June 2011 until end June 2015	
Essex Fire Authority	1	4 years, from June 2011 until end June 2015	
Scheme Members	1	4 years from date of appointment	Nominated by UNISON, currently vacant
Smaller Employing Bodies	1	2 years, from Employer Forum 2011 until Employer Forum 2013	To be nominated following voting by eligible employers attending the Employer Forum
Total	14		

All members and representative have equal voting rights.

The Pension Board is supported in the execution of its responsibilities by staff from the Authority's Finance Directorate as well as an Independent Governance and Administration Adviser and other advisers as considered necessary (e.g. the Fund Actuary).

The Board meets quarterly though additional Task and Finish Groups can meet as necessary to consider and report to it on matters that require further consideration.

B. The Investment Steering Committee

The Investment Steering Committee is composed as follows:

Representing	No	Term of Office	Comments
Essex County Council	6	4 years (from 16.06.09 until 2013 County Council Elections)	
Employer representative (observer)	1	4 years (from May 2011 until 2015 District/Borough Council elections)	Nominated by Essex Borough and District Leaders" /Chief Executives" Meeting
Scheme Members (observer)	1	4 years from date of appointment	Nominated by UNISON, currently vacant
Total	8		

The Investment Steering Committee is supported in the execution of its responsibilities by three investment advisers (two independent and one institutional) and staff from the Authority's Finance Directorate.

The Committee meets routinely on six occasions each year generally in October or November, December, February, March, June and July. Four of those meetings are primarily to meet with investment managers in order to review their performance but two meetings each year in February and July are set aside for the consideration of investment strategy.

In addition special meetings of the Committee are held when required for the discharge of its functions in regard to such matters as the selection and appointment of investment managers.

Governance Compliance Statement

As can be seen, Essex Pension Fund governance arrangements are almost entirely compliant with the latest guidance issued by the Secretary of State for Communities and Local Government.

Principle	Not Compliant	Partially Compliant	Fully Compliant
A Structure (a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council (b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels. (d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			✓ ✓ ✓ ✓
B Representation (a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (iv) expert advisers (on an ad hoc basis) (b) that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.		✓*	✓ ✓ ✓ ✓ ✓
C Selection and Role of Lay Members (a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.			✓
D Voting (a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main			✓

Principle	Not Compliant	Partially Compliant	Fully Compliant
LGPS committees.			
E Training/ Facility Time/ Expenses (a) that in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. (b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.			✓ ✓
F Meetings – Frequency (a) that an administering authority’s main committee or committees meet at least quarterly. (b) that an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. (c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.			✓ ✓ N/A
G Access (a) that subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.			✓
H Scope (a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.			✓
I Publicity (a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.			✓

* The Fund’s governance arrangements include observers on the Investment Steering Committee representing employers and scheme members but these are not independent **professional** observers.