

Essex Pension Fund Board

**Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm
at County Hall, Chelmsford on 9 March 2011**

Membership/Attendance

Essex County Council (6)

- | | |
|--|-----------------------|
| * Cllr R L Bass (Chairman) | Cllr A J Jackson |
| * Cllr Mrs T M Chapman (Deputy Chairman) | * Cllr M C Lager |
| * 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 | * Cllr B Kelly, Southend on Sea Council (named substitute with right to attend all meetings) |
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Essex Police Authority (1)

- * Cllr S M Walsh

Essex Fire Authority (1)

- * Cllr E C Johnson

UNISON (to represent all Scheme members) (1) Vacancy

* Present

The following were also in attendance:

Peter	Lewis	Interim Assistant Director – Financial Strategy
Martin	Quinn	Head of Investments
Kevin	McDonald	Group Manager, Investments
Jody	Evans	Pensions Services Manager
David	Tucker	Employer Liaison Manager
Alex	Hallam	Deputy County Solicitor
Paul	Middleman	Fund Actuary (Mercer)
Karen	McWilliam	Independent Governance and Administration Adviser (by telephone)
Natalie	Thoms	Audit Commission
Judith	Dignum	Governance Team Manager

1. Apologies for Absence

Apologies for absence were received on behalf of Councillors A J Jackson and T C Smith-Hughes.

2. Declarations of Interest

No declarations of interest were made.

3. Minutes**Resolved:**

That the minutes of the Essex Pension Fund Board held on 15 December 2010 be approved as a correct record and signed by the Chairman.

Governance**4. Review of the Effectiveness of the Pension Fund Board and the Investment Steering Committee**

The Board considered a joint report (EPB/01/11) by the Governance Team Manager and the Independent Governance and Administration Adviser which presented the findings of the Review of the Effectiveness of the Pension Fund Board and the Investment Steering Committee. Members were asked to consider any action that should be taken in response to the Review's recommendations, in particular, whether to recommend the Council to amend the existing membership structure.

In considering the Review, Members were pleased to note its positive findings, especially regarding the Board's high level of compliance with CLG governance principles.

Recommendations 5.2, 5.4 and 5.5 of the Review were accepted.

With regard to recommendation 5.1 of the Review and paragraph 6 of the accompanying report, detailed consideration was given to the Board's future membership structure, balancing the desire to broaden representation with a concern to retain the appropriate balance between Essex County Council representatives (as the administering authority) and other representatives and to avoid unwieldy numbers. It was agreed to recommend the Council to increase the Board's membership to allow for an additional representative of Unitary Authorities and a representative of smaller employing bodies (ie those which were not already represented), with the other categories of representation to remain unchanged. It was decided that an increase in the representation of scheme members would not be appropriate at this stage, given the difficulty in identifying another body which represents deferred and pensioner members and therefore could provide a nomination and through which the representative could report back. It was also noted that members of the Board consider, and therefore represent, the Fund membership as a whole in carrying out their duties. It was agreed that the smaller employing

bodies representative should be selected by a ballot of eligible employers held at the Employer Forum, using a voting system based on 'alternative vote' (with the final arrangements to be agreed in due course).

Consideration having also been given to the terms of office of Board members and to the means of obtaining nominations for the two representatives of District and Borough Councils in Essex, it was agreed to recommend the following membership structure to the Council:

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)	Nominated by Southend-on-Sea and Thurrock Councils (1 each)
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		

With regard to recommendation 5.3 of the Review, whilst not accepting the need to extend the remit of the existing sub-group, the Board did agree to establish task and finish groups to work on specific areas of business when the need arose. It was considered that this would offer greater flexibility than a standing body and permit the involvement of a greater range of members, according to their individual interests.

In considering Recommendation 5.6, relating to the link between the Board and the Investment Steering Committee, the Board agreed that all Members should receive advance notice of meeting dates, should receive meeting agendas and minutes and be invited to attend all meetings should they so wish.

No further comments were made in relation to Recommendation 5.7.

Finally it was agreed that the Review, and in particular the recommendations set out in paragraphs 6.1 – 6.4, should be referred to the Investment Steering Committee for consideration.

Resolved:

1. That the Council be recommended to adopt an amended membership structure for the Board as set out below:

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

2. That bodies which nominate more than one representative be encouraged to include amongst their nominees those who do not hold already other positions of responsibility within the organisation;
3. That task and finish groups be established when required to work on specific areas of business;
4. That an annual away day/strategy meeting be held each Autumn;
5. That the momentum in relation to training and development be maintained, including more focussed training and development on roles and responsibilities of individuals and the Board;
6. That all Members of the Board receive advance notice of Investment Steering Committee meeting dates, meeting agendas and minutes and be invited to attend all meetings should they so wish; and

7. That the Review, and in particular the recommendations set out in paragraphs 6.1 – 6.4, be referred to the Investment Steering Committee for consideration.

5. Pension Fund Risk Management

The Board received a joint report (EPB/02/11) by the Head of Investments and the Pensions Services Manager which put forward proposals for the management and reporting of Pension Fund risk.

In presenting the report, the Head of Investments drew attention to Annex B, which demonstrated the type and scope of information on key risks that would form the content of regular reports to the Board.

The following matters arose from consideration of the report:

- With regard to risk G7 regarding succession planning, Members acknowledged the need to share their expertise but queried how local election cycles made this more difficult to manage.
- In response to a question on risk I14, the Head of Investments advised of the arrangements in place to allow timely reaction to changes in economic/market conditions, commenting that he was satisfied as to their adequacy. It was agreed to include a brief explanation of these arrangements within the text of the risk measure.
- The Board requested that in addition to identifying key risks with a score of 6 or more, the quarterly report also include risks where there had been a significant change in risk score (up or down) since the previous report.

Resolved:

1. That the proposals for managing Pension Fund risk be approved.
2. That in addition to identifying key risks with a score of 6 or more, the quarterly report to the Board also include risks where there has been a significant change in risk score (up or down) since the previous report.

6. Business Plans

The Board considered a joint report (EPB/03/11) by the Head of Investments and the Pensions Services Manager which submitted for approval the Essex Pension Fund Business Plan for 2011/12. The report also included a final progress update on the Business Plan for 2010/11.

In presenting the report, the Head of Investments advised that incomplete actions from 2010/11 would be carried forward to 2011/12. He also informed the Board of the outcome of recent Internal Audit inspections of the Investment Team and Pensions Administration which had recorded outcomes of Full Assurance and Substantial Assurance respectively.

The Board congratulated Officers on these positive outcomes and also on the completion of the vast majority of actions from the 2010/11 Business Plan.

The following matters arose from consideration of the report:

- The Chairman advised that he had sought advice from the Director for Finance as to whether the Board, rather than Essex County Council, should have legal responsibility for properties owned by the Pension Fund and whether the Board should have its own discrete processes, for example such as sealing arrangements.
- The Board welcomed the inclusion of an introduction to the Business Plan, providing general information about the dimensions of the Fund.
- Members requested that clear information regarding timescales for achievement be included in the Funding Objectives set out on page 3 of Annex B.
- Arising from Annex C, Action 2, Members noted that customers' views were already sought regarding performance.
- With regard to Annex C, Action 15 the Board was advised that employers' credit ratings were already assessed as part of the funding strategy process as the information helped to determine the deficit recovery period.
- In response to a question, the Pension Services Manager advised of the checks in place to minimise the risk of pensions continuing to be paid following a person's death.

Resolved:

That the Essex Pension Fund Business Plan for 2011/12 be approved.

7. Training Plan 2011/12

The Board received a report (EPB/04/11) by the Independent Governance and Administration Adviser which proposed a training plan for 2011/12 presented a timescale for a training needs assessment to be completed by Board members.

Resolved:

1. That the training plan attached at Annex A to the report be approved.
2. That a training needs analysis be carried out after June 2011, with the training plan to be updated subsequently based on the results of that analysis.

8. Annual Review of Member Attendance

The Board considered a report (EPB/05/11) by the Governance Team Manager which detailed members' attendance at Board and Investment Steering Committee (ISC) meetings and training events since 31 March 2010.

Members welcomed the report for its contribution to greater transparency and requested the inclusion of comparative data in future years

Resolved:

1. That the details of members' attendance as set out in the report be noted.
2. That comparative data be included in future reports.

9. Forward Look

The Board received a report (EPB/06/11) by the Governance Team Manager which presented a Forward Look detailing the Board's future business.

The report was noted.

10. Lord Hutton Review of Public Sector Pensions – Update

The Board received a presentation from the Fund Actuary regarding the main points likely to be included in Lord Hutton's final report of his Review of Public Sector Pensions, due to be published on 10 March.

Members thanked Mr Middleman for his presentation and noted that a full report on the issue, including how to take forward the proposals as they impact on Essex, would be submitted to the Board's next meeting on 29 June.

Investments

11. Investment Steering Committee (ISC) Quarterly Report

The Board received a report (EPB/07/11) 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 23 February 2011.

The report was noted.

Funding

12. Funding Strategy Statement and March 2010 Actuarial Valuation Update

The Board considered a joint report by the Head of Investments and the Fund Actuary which submitted for approval the draft Funding Strategy Statement for 2010/11.

In introducing the report, the Head of Investments drew attention to the intended abolition of the Small Admitted Bodies Group (SABG) with effect from 1 April 2011. In future, former members of the Group would be dealt with as individual employers, with the intention of allowing greater flexibility and reducing the level of risk. This fitted well with the decision taken earlier in the meeting (minute 4 above refers) to recommend the inclusion of a Smaller Employing Bodies representative as part of the Board's future membership structure.

Resolved:

That the Funding Strategy Statement (FSS) be approved.

Administration

13. Independent Review of Pensions Administration

The Board received a report (EPB/09/11) by the Independent Governance and Administration Adviser which provided an update on the Independent Review of Administration. Members acknowledged the progress made to date and noted that a report of the complete findings from the review would be submitted to the next meeting.

14. Date of Next Meeting

It was noted that the next meeting of the Board would take place on Wednesday 29 June 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 3.15pm.

Chairman
29 June 2011