

Essex Pension Fund Board

**Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm
at County Hall, Chelmsford on 14 December 2011**

Membership/Attendance

Essex County Council (6)

- | | | |
|--|---|------------------------------|
| Cllr R L Bass (Chairman) | * | Cllr N J Hume (until 2.30pm) |
| * Councillor J Aldridge | * | Cllr M C Lager |
| * Cllr D M Finch (Vice-Chairman, in the Chair) | * | Cllr T C Smith-Hughes |

District/Borough Councils in Essex (2)

- | | | |
|--|---|--|
| * 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

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
Graeme	Muir	Fund Actuary (Barnett Waddingham)
Judith	Dignum	Governance Team Manager, Secretary to the Board
Graham	Hughes	Committee Officer

36. Apologies for Absence

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

37. 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.

38. Minutes**Resolved:**

That the minutes of the Essex Pension Fund Board held on 28 September 2011 be approved as a correct record and signed by the Chairman.

Funding**39. Local Government Pension Scheme Reform****(a) Draft response to Government consultation**

The Board received a report (EPB/32/11) by the Secretary to the Board updating the Board on the latest position with regard to reform of the Local Government Pension Scheme and seeking agreement to the process for finalising the Board's response to the Consultation issued by the Department for Communities and Local Government (DCLG).

A draft proposed response to the DCLG Consultation, prepared in consultation with the Chairman of the Pension Reform Task and Finish Group, was tabled for consideration.

The Pensions Services Manager outlined revised proposals that had been subsequently announced by the Government during the consultation process for a one step change to contributions and accrual rates in 2014, rather than three stepped changes between 2012-2014. In principle, this revised proposal also would bring forward the implementation of longer term changes to scheme design recommended by Lord Hutton from 2015 to 2014, and generate the £900 million saving target required by the Treasury in 2014/15, rather than being staggered between 2012/13 and 2014/15. However, it was unclear at present how the £900 million saving target required by the Treasury by 2014/15 would actually be collected. It was acknowledged that, even under the revised proposals, the same risk remained of scheme members opting out when contribution rates were increased, although the latest proposal would allow more time for continuing investigation and scrutiny in this area.

After further discussion it was:

Resolved: that the draft response tabled at the meeting be approved and that Councillor Bass, as Chairman of the Board, be authorised to sign the response for and on behalf of the Board.

(b) Presentation by Fund Actuary

A presentation was given by the new Fund Actuary, Graeme Muir of Barnett Waddingham, projecting cash flow and fund values for the Essex Pension Fund using different scenarios that could arise from the current proposals to reform public sector pensions. Under the modelling, a reduced scheme membership would bring forward the time when pension payments would exceed contributions and investment income would need to be used to fund the shortfall. It was highlighted that using anticipated investment income to fund shortfalls arising from larger reductions in scheme membership might be insufficient over time and require changes to future investment strategy. The contents of the presentation were discussed and noted.

Resolved: that further analysis be presented on the net present value benefit to both employers and the Pension Fund of not having to pay pensions to those who had opted out.

40. 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/33/11) 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.

Reasonable progress was being made with the 2011/12 Business Plan (Annex A), with most of the actions complete or in progress. Consideration was given to Action 6 (Annual Review of the effectiveness of the Board). As the recommendations arising from the first review had only been considered by the Investment Steering Committee in November it was agreed that the Annual Review, originally scheduled for March 2012, be carried forward to 2012/13. Other key developments as outlined in the report were noted.

With regard to Annex B (Risk Management), having conducted a preliminary assessment of the potential impact of the proposed reforms to the Local Government Pension Scheme, officers had identified further entries for inclusion in the Risk Register. These were tabled at the meeting. In particular, the proposed reforms could enable scope for employers to reduce their ongoing contributions in line with a commensurate increase in employee contributions with effect from 1 April 2012. However, a key risk with this would be that the administrative system enhancements required to support changes to members' contributions and benefits might not be available until some time

after April 2012 and therefore require a significant manual exercise instead. In addition, the reforms could significantly increase the workload of pension staff, increase the complexity of employee communications and increase opt outs. It was agreed that these new entries be included in the Risk Register for future monitoring.

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. It was highlighted that, despite recent improvements, red traffic lighting remained against governance arrangements for agendas and minutes for the Investment Steering Committee and the Board, as the overall performance grading covered a rolling 12 month period.

Resolved:

1. that the Annual Review, be carried forward to 2012/13;
2. that the new entries outlined at the meeting be included in the Risk Register for future monitoring; and
3. that the new draft summary sheet, which was tabled at the meeting and was to be included in future scorecards, be agreed.

41. Review of Fund Objectives

The Committee received a joint report (EPB/34/11) by the Head of Investments and the Pensions Services Manager, presenting proposed refinements to the Essex Pension Fund objectives to reflect comments received at the EPFB Strategy Away Day on 21 November 2011. After discussion, it was agreed to adopt the draft objectives, as presented to the Board and to adjust the scorecard accordingly to reflect the updated objectives.

Resolved: that the revised Essex Pension Fund objectives be approved.

42. Pension Fund Board Knowledge and Skills

The Committee received a report (EPB/35/11) by the Independent Governance and Administration Adviser on Board Knowledge and skills and how this might be further developed for 2012/13. The training plan for 2012/13 would be developed taking into consideration the findings from the results received to date from the Training Needs Analysis. Information relating to these results would be incorporated into the 2011/12 Annual Report and Accounts together with an overview of training undertaken and attendance at training events.

A quicker and more targeted Training Needs Analysis would be developed for the assessment in 2012/13. This revised assessment would be available in January 2012 to enable any members to complete it and improve the level of participation and, potentially, the scores that would be reported for 2011/12.

The Chairman encouraged Board members to maintain and update their knowledge through attendance at conferences and seminars. Details of the LGC Investment Summit in March 2012 had been circulated and Board members wishing to attend the event were requested to advise the Secretary by 16 December 2011 so that appropriate places could be secured.

43. Arrangements for Employer Forum and Election of Smaller Employing Bodies Representative

The Committee received a joint report (EPB/36/11) from the Head of Investments and the Secretary to the Board on the arrangements for the Employer Forum and the election of the Smaller Employing Bodies representative. The Board noted that the Employer Forum would be held on the morning of 20 January 2012 at County Hall. Board members were welcome to attend.

The Board had previously agreed to increase its membership to enable a representative of Smaller Employing Bodies to serve on the Board. With regard to the election of the representative of Smaller Employing Bodies (i.e. those which are not already represented on the Board) Board members' agreement was sought to vary the procedure set out in the report to allay concerns about the tight timescale for the receipt of nominations. It was agreed that, subject to consultation with the Chairman of the Board, the procedure be amended to extend the call for nominations to Friday 14 January 2012 and to hold the ballot (and announce the result) on the day of the Employer Forum.

Resolved:

1. That the arrangements for the Employer Forum be noted; and
2. That the procedure being varied as outlined be agreed, subject to consultation with the Chairman.

44. Pension Fund Handbook

The Committee received a report (EPB/37/11) from the Group Manager Investments seeking views as to whether the Essex Pension Fund Board members' handbook should continue and, if so, in what format. The Independent Governance and Administration Adviser demonstrated an on-line alternative format that could be considered. Members were broadly in agreement that providing the handbook in a cost effective web based format would be more useful if it could be available through a common intranet gateway. Members stressed the importance of comprehensive indexing and use of layman's language.

Resolved: that a recommendation for an alternative format, outlining issues, implications and costs, be presented to the next Board meeting.

Investments

45. Investment Steering Committee (ISC) Quarterly Report

The Board received and noted a report (EPB/38/11) by the Group Manager Investments which provided an update on ISC activity since the last Board meeting. The ISC had met twice during this period, on 12 October 2011 and 17 November 2011.

The following items in the report were highlighted:

- (i) the ISC had agreed that the currency mandate managed by Record Currency Management be terminated and this had now been done;
- (ii) using savings from the action in (i) above an initial investment had been made in the Stafford Timberland Fund; and
- (iii) with effect from 1 August 2012, the number of independent investment advisers to the ISC would be reduced from two to one.

Administration - Other Issues

46. Forward Look

The Board received a report (EPB/39/11) by the Secretary to the Board which presented a Forward Look detailing the Board's future business.

47. Date of Next Meeting

It was noted that the next meeting of the Board would take place on Wednesday 7 March 2012 at 2.00pm. Board members undertook to reserve the entire day to allow for a training/development session to be held in the morning.

The meeting closed at 3.06pm.

Chairman
7 March 2012