

**Essex Pension Fund Board**

**Annual Report 2016/17**

## **1. Introduction**

This is the eighth Annual Report of the Essex Pension Fund Board(s), covering the period from 1 April 2016 until 31 March 2017.

## **2. Roles and Functions**

### **Essex Pension Fund Strategy Board**

The Essex Pension Fund Board was established by the County Council in May 2008 to ensure that the Pension Scheme complied with the best practice principles for governance as required by the amended Local Government Pension Scheme Regulations 1997.

The Board's terms of reference, as approved by the County Council, are as follows:

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:

- (i) to monitor and oversee the work of the Essex Pension Fund Investment Steering Committee through its quarterly reports;
- (ii) 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;
- (iii) to exercise Pension Fund discretions on behalf of the Administering Authority;
- (iv) to determine Pension Fund policy in regard to employer admission arrangements;
- (v) to determine the Pension Fund's Funding Strategy and approve its Funding Strategy Statement;
- (vi) to receive periodic actuarial valuation reports from the Actuary;
- (vii) To co-ordinate Administering Authority responses to consultations by Central Government, professional and other bodies; and
- (viii) to consider any views expressed by employing organisations and staff representatives.

The Board met four times during the period covered by this report: on 13 July 2016, 15 September 2016, 21 December 2016 and 8 March 2017.

## **Membership**

During the period covered by this report the Board had 11 members. They represented Essex County Council, the other local authorities in Essex (including Unitary Councils), Scheme members and Smaller Employing Bodies (i.e. those which are not already specifically represented on the Board).

The membership of the Board as at 31 March 2017 was as follows:

### **Essex County Council (7)**

Councillor Susan Barker	Vice-Chairman
Councillor Rodney Bass	Chairman
Councillor Stephen Canning	
Councillor Karen Clempner	
Councillor Norman Hume	
Councillor Nigel Le Gresley	
Councillor Jon Whitehouse	

### **District/City/Borough Councils in Essex (1)**

Councillor Colin Riley	Castle Point Borough Council
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### **Unitary Councils in Essex (1)**

Councillor Andrew Moring	Southend-on-Sea
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### **Scheme Members (nominated by UNISON) (1)**

Mrs S Child

### **Smaller Employing Bodies (1)**

Mrs Jenny Moore

## **Essex Pension Fund Advisory Board**

The Essex Pension Fund Advisory Board is appointed by Essex County Council as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013.

The Board has the following remit:

- (i) To assist the Scheme Manager to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS and to secure compliance with requirements imposed in relation to the LGPS by the Pension Regulator

- (ii) To secure the effective and efficient governance and administration of the LGPS for the Essex Pension Fund (EPF)
- (iii) To help ensure that the EPF is managed and administered effectively and efficiently and complies with the code of practice.
- (iv) To assist the Scheme Manager with such matters as the scheme regulations may specify.
- (v) To be a “critical friend” to the PSB and the Investment Steering Committee (ISC).
- (vi) The Board may review any decision made by or on behalf of the Scheme Manager.
- (vii) The Board will adopt a policy statement on reporting breaches.
- (viii) At the invitation of the PSB, the Board may also undertake other tasks.
- (ix) Appointing Observers to attend meetings of the PSB and the ISC.

### **Membership**

During the period covered by this report the Advisory Board had 9 members. They represented employer and scheme representatives and an independent Chairman

The membership of the Advisory Board as at 31 March 2017 was as follows:

#### **Employer Representatives (4)**

Vacancy	Unison
Paul Hewitt	Deferred Member
Jenny Hunt	Deferred member
Mark Paget	Essex County Council

#### **Scheme Representatives (4)**

James Durrant	Essex Fire Authority
Cllr Terry Cutmore	Rochford District Council
Cllr Shane Hebb	Thurrock Council
Cllr Simon Walsh	Essex County Council

#### **Independent Chairman (1)**

Nicola Mark	Head of Norfolk Pension Fund
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### **3. Dimensions of the Fund**

Based on the draft accounts, as at 31 March 2017 the value of the Fund’s assets was £6.031 billion.

The total value of pensions paid during 2016/17 was £183.1m, together with other benefits totalling £42.2m.

The total number of beneficiaries are as follows:

	<b>2016</b>	<b>2017*</b>
Contributors	61,543	59,951
Deferred Pensioners	47,041	55,536
Pensioners	37,666	39,106
Total	146,250	154,596

(Deferred Members are former employees who have chosen not to transfer their pension rights.)

The Board exercises on behalf of the Council the management of the Pension Fund whose membership comes from around 640 separate Employing Bodies, including:

- Essex County Council, Unitary, Borough, City and District Employers
- Incorporated Colleges
- Schools and Academies
- Town and Parish Councils
- Other Scheduled Bodies
- Small Admitted Bodies
- Admitted Bodies
- Community Admission Bodies.

#### **4. Pooling of investment management arrangements**

Considerable time and effort throughout the year was devoted to the development of pooling arrangements in line with the Government criteria. The key milestones reached and the major stages later in 2017 are set out in the paragraphs below.

With the Autumn statement in November 2015, DCLG issued the following criteria for pooling:

- asset pools that achieve the benefits of scale (minimum size £25bn as at 31 march 2015 values)
- strong governance & decision making
- reduced costs and excellent value for money
- improved capacity to invest in infrastructure

As highlighted in last year's report in February 2016, Essex along with ten other Councils in the East Anglia & the South East submitted an initial pooling proposal to Government. The pool has become known as ACCESS (A Collaboration of Central, Eastern & Southern Shires). This was followed in July 2016 with a more detailed submission outlining ACCESS's intentions.

One of the key aims of 2016/17 was to finalise an Inter Authority Agreement (IAA) between each of the Funds listed below.

AREA	VALUE AS AT 31 MARCH 2016 (£bn)
Cambridgeshire	£2.276
East Sussex	£2.771
Essex	£5.037
Hampshire	£5.189
Hertfordshire	£3.584
Isle of Wight	£0.474
Kent	£4.598
Norfolk	£2.905
Northamptonshire	£1.871
Suffolk	£2.213
West Sussex	£2.986
<b>Total</b>	<b>£33.904</b>

Following further analysis, in the autumn, Essex along with a number of other ACCESS Funds made representations to the Secretary of State regarding the approach to, and cost of, pooling investment arrangements. In particular, it was felt that Collective Joint Procurement (CJP) could meet the objectives specified in the Government's criteria (released in the 2015 Autumn statement) without the need for the cost involved in procuring an Operator for a Collective Investment Vehicle (CIV) – which had been the basis of the July proposal.

Local Government Minister, Marcus Jones MP met with all pools in late 2016, and the Fund's then Chairman, Cllr Rodney Bass was one of the

representatives for the ACCESS meeting. The basis for CJP was underlined at that meeting and a full business case was subsequently submitted.

Whilst it had been the intention to bring to the IAA to the February 2017 meeting of Council, there was insufficient clarity on whether the Minister would allow CJP as the basis for ACCESS's pooling approach. As such, in February, Council noted that a further motion would be considered once matters were clarified.

In March, the Minister confirmed his view that although CJP would have delivered cost savings, an approach based on a CIV gave the greatest assurance to stakeholders. In view of this both the Investment Steering Committee and the ACCESS shadow Joint Governance Committee agreed that the ACCESS approach to pooling would be based on a CIV.

In light of this development, at its May 2017 meeting Council considered and agreed to Essex being party to an IAA based upon a CIV.

Next steps for pooling in 2017 include:

- the appointment of a single passive manager for all ACCESS Funds following a framework procurement;
- the procurement of a CIV operator

## **5. Work of the Pension Strategy Board**

In addition, the following key issues were considered by the Board between 1 April 2016 and 31 March 2017:

### **2016/17 LGPS Triennial Actuarial Valuation**

All LGPS Funds in England & Wales were required to commission an independent actuarial valuation as at 31 March 2016. Given the scale of the work, which included the consultation with employing bodies around contribution rates, the process would take around one year to complete.

This is the first Actuarial Valuation to take place since the introduction of the Career Average benefit structure on 1 April 2014 and cost control mechanisms.

The Board received regular updates of progress throughout the year and at the meeting held on 8 March 2017 were informed the Fund Actuary would issue the valuation report and rates and adjustment certificate alongside the final version of the FSS by 31 March 2017. This concluded the 2016 Actuarial Valuation process in compliance with statutory requirements.

## **Review of the Pension Advisory Board (PAB)**

In accordance with the requirements of the Public Service Pension Act 2013 and revised LGPS Regulations, at its February 2015 meeting Essex County Council established the Essex Pension Fund Advisory Board as its Local Pension Board.

Section 6 of the PAB's Terms of Reference stipulates:

*The Board will undertake an annual review process to assess its performance with a view to seeking continuous improvement in the Board's performance. The first review will take place no later than 1 October 2016.*

*The Board will commence a review of its efficacy after the first 18 months to determine whether it is meeting the needs of EPF's stakeholders and in time for any changes to be made in May 2017.*

The current arrangement of the Essex PAB complies with the legal requirement that there be an equal split of Employer and Member representatives. The appointment of an independent Chair is permitted by the PSPA 2013 and LGPS Regulations.

The chairing of the PAB is part of a reciprocal arrangement with the Norfolk Pension Fund. Under the arrangement Kevin McDonald, Director for the Essex Pension Fund, chairs the Norfolk equivalent of the PAB, while Nicola Mark, Head of the Norfolk Pension Fund, chairs the PAB.

At the meeting of the Pension Strategy Board held on 8 March 2017 the recommendations made following the review of the PAB were noted and agreed.

### **Other areas considered were:**

- Reports on the work of the Essex Pension Fund Investment Steering Committee
- External Audit Programme of Work
- Reports from Internal Audit regarding the control environment of the Pension Fund and Administration
- Reports of the Pension Advisory Board
- Consultation on the Guaranteed Minimum Pensions (GMP) indexation and equalisation
- Year-end returns 2016/17 charging policy
- A review of the Governance Policy and Compliance Statement
- A review of the Communications Policy

## **6. Member Training**

There is a firm commitment to training and development, with a view to ensuring that Members are able to fulfil their roles effectively.

Details of Members' attendance at Essex Pension Fund Boards and Investment Steering Committee meetings and training events (internal and

external) are monitored throughout the year and reviewed annually at the Strategy Board's July meeting.

Member training is predominately delivered within the Board meetings.

## **7. Three-Year Business Plan**

The Strategy Board has developed a 3-year Business Plan which provides a high level summary of key work streams and feeds into more detailed annual business plans.

## **8. Awards**

The Essex Pension Fund won the Pension Administration Award at the Pension Age Awards 2017.

Cllr Susan Barker  
Chairman of the Essex Pension Strategy Board and of the ISC.  
Portfolio holder for Culture, Communities and Customer  
Essex County Council