

Essex Pension Fund Board

Annual Report 2010/11

July 2011

1. Introduction

- 1.1 This is the second Annual Report of the Essex Pension Fund Board, covering the period from 1 April 2010 until 31 March 2011.

2. Roles and Functions

- 2.1 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.

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

1. 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:
2. To monitor and oversee the work of the Investment Steering Committee through its quarterly reports.
3. 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 the best value and complies with best practice guidance where considered appropriate.
4. To exercise Pension Fund discretions on behalf of the Administering Authority.
5. To determine Pension Fund policy in regard to employer admission arrangements.
6. To determine the Pension Fund's Funding Strategy and approve its Funding Strategy Statement.
7. To receive periodic actuarial valuation reports from the Actuary.
8. To co-ordinate Administering Authority responses to consultations by Central Government, professional and other bodies.
9. To consider any views expressed by employing organisations and staff representatives.

- 2.3 The Board met three times during the period covered by this report; on 25 August and 15 December 2010 and 9 March 2011.

3. Membership

- 3.1 The Board has 12 members, representing Essex County Council, District, Borough and Unitary Councils in Essex, Essex Police Authority, Essex Fire Authority and Scheme members. Changes were recommended to the Council in March 2011 as part of a review of the Board's effectiveness and these will be implemented with effect from the meeting in June 2011 following the Council's agreement in May.

- 3.2 The membership of the Board as at 31 March 2011 was as follows:

Essex County Council (6)

County Councillor R L Bass	Chairman
County Councillor Mrs T M Chapman	Deputy Chairman
County Councillor D M Finch	
County Councillor A J Jackson	
County Councillor M C Lager	
County Councillor T C Smith-Hughes	

District/Borough Councils in Essex (2)

District Councillor J Archer	Maldon DC
Borough Councillor Mrs P Challis	Castle Point BC

Unitary Councils in Essex (1)

Membership alternates on an annual basis between Southend-on-Sea and Thurrock Councils. The non-nominating authority is entitled to appoint a named substitute for the year who has the right to attend all meetings.

Borough Councillor B Johnson	Thurrock Council
Borough Councillor A Moring (substitute until 25/08/10)	Southend-on-Sea BC
Borough Councillor B Kelly (substitute from 25/08/10)	Southend-on-Sea BC

Essex Police Authority (1)

County Councillor S M Walsh

Essex Fire Authority (1)

County Councillor E C Johnson

Scheme Members (nominated by UNISON) (1)

Vacancy

- 3.3 The Board is committed to ensuring that Members are able to fulfil their roles effectively. A programme of training is agreed annually and Members are strongly encouraged to attend a range of the events and courses offered. An analysis of training needs will be carried out in the latter half of 2011 and the training plan updated accordingly to take account of the outcome.

Details of Members' attendance at Essex Pension Fund Board and Investment Steering Committee meetings and training events were recorded throughout the year and presented to the Board at its March meeting. The information will be reported on an ongoing basis in 2011/12 as part of the Board's assessment of its performance against objectives identified in the Business Plan.

4. Dimensions of the Fund

- 4.1 At the last triennial valuation of the Fund as at 31 March 2010 Fund assets were £3.085 billion.
- 4.2 The total value of pensions paid during 2010/11 was £131m, together with other benefits totalling £46m. The average value of pensions in payment was however only £4,251.
- 4.3 The total number of beneficiaries are as follows:

	2010	2011*
Active Members	43,728	43,636
Pensioners/dependents	29,165	30,764
Deferred Members	32,173	34,737
Total	105,066	109,137
*Provisional numbers		

- 4.4 The Board exercises on behalf of the Council the management of the Pension Fund whose membership comes from over 400 separate Employing Authorities, including:

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

5. Work of the Board

- 5.1 The following major issues were considered by the Board between 1 April 2010 and 31 March 2011:

Triennial Valuation

The outcome of the triennial Actuarial Valuation of the Fund as at 31 March 2010 was reported to the Board, which noted the key message that the funding strategy developed as part of the Valuation process had succeeded predominantly in achieving the objective of stability of contribution rates – a positive outcome for employers and the Pension Fund alike. The Board highlighted that any significant reduction in active Pension Fund members

arising from the current economic climate (with an associated fall in employee contributions) may necessitate a rise in the employer contribution rate at some point in the future. The Actuary's final report on the Valuation was issued on 31 March 2011.

Report of Independent Public Service Pension Commission

In June 2010, the Chancellor of the Exchequer invited Lord John Hutton of Furness to chair the Independent Public Service Pension Commission with responsibility for undertaking an independent review of public service pensions. The review consisted of an interim report, issued in October 2010, and a final report in March 2011.

The Board received reports concerning the Review and noted that changes arising from it would represent a considerable ongoing commitment with extensive implications in terms of staffing resources and costs. It was agreed to establish a small sub-group to meet as required to debate and feed into consultations relating to proposed reforms. A full report detailing how to take forward the Commission's proposals as they impact on Essex will be submitted to the Board during 2011/12.

Measurement against Fund Objectives and Risks

The Board approved proposals for measuring progress against the Fund's agreed objectives (as set out in the Business Plan) and reporting this to the Board on an ongoing basis. Agreement was also given to a method for monitoring and reporting the risks of not achieving the Fund's objectives. It was agreed that day-to-day progress with regard to both should be the responsibility of officers but that the Board should receive at each meeting a progress report against the business plan and a report outlining the Fund's key risks (including where there had been a significant change in risks score, up or down). Ongoing reports presenting performance against the agreed objectives should also regularly be presented to the Board.

Administering Authority Discretions

The Board, as the administering authority of the Essex Pension Fund, is required to make decisions on certain areas of flexibility (referred to as 'discretions') included within appropriate legislation. Many of the discretions relate to relatively straightforward areas of administration such as how costs for granting additional membership are paid by employers. However there are some more significant areas such as the process for determining who should receive payment of a death grant.

In accordance with best practice (and statutory requirements in certain instances), the Board approved a Statement of Policy on Discretions in relation to the Local Government Pension Scheme, subject to its final review by a pensions lawyer and the Fund Actuary.

Review of Effectiveness of the Pension Fund Board and the Investment Steering Committee

As part of the 2010/11 Business Plan it was agreed it would be timely to review the effectiveness of the Board and the Investment Steering Committee (ISC) for the first time since the Board's establishment in 2008. The review was undertaken by the Independent Governance and Administration Adviser and the Governance Officer, taking into account the results of a questionnaire completed by most Board and ISC members and by officers and advisers, as well as good practice, comparison with other LGPS funds and general observations.

Overall the findings of the review were very positive. A number of measures were agreed with a view to enhancing the Board's future effectiveness including:

- The broadening of the Board's membership by inclusion of an additional representative of Unitary Authorities in Essex and a representative of Smaller Employing Bodies and by a request to bodies which nominate more than one representative to include amongst their nominees those who do not hold already other positions of responsibility within the organisation. The change to the membership structure was agreed by the Council on 10 May 2011.
- An agreement to establish task and finish groups when required to work on specific areas of business and to hold an annual awayday/strategy meeting each Autumn
- A commitment to retain momentum in relation to training and development and, as part of this, an open invitation for all members to attend meetings of the ISC (and to receive all associated agendas, reports and minutes).

The report was referred to the ISC for consideration at its next meeting.

The Board's effectiveness will continue to be reviewed on an ongoing basis, with a report submitted annually to the March meeting.

Other Issues

Amongst the other issues considered by the Board have been:

- Approval of revised Funding Strategy Statement
- A report from Internal Audit (Essex County Council) reviewing their previous year's work with regard to the Pension Fund and Pensions Administration and outlining their planned work for the coming year. The Board was pleased to note the positive nature of the report, indicating that the Fund was well-managed and administered, with strong controls in place
- Reports from External Audit regarding the Opinion Plan 2009/10 and the Annual Governance Report for the Essex Pension Fund Accounts and the 2009/10 Programme of Work and Fees. The Board was

pleased that the audit of the Pension Fund had been a smooth process, resulting in the issue of an unqualified audit opinion.

- Quarterly reports on the work of the Investment Steering Committee.

Member Training

During 2010/11, Members have been offered training on the following issues:

- Valuations
- Pensions Basics (refresher)

In addition, in October 2010 a number of members travelled to Edinburgh to attend a Local Government Investment Seminar and training event organised by Baillie Gifford & Co, one of the Fund's investment managers.

The Board agreed its annual training plan in March 2011 and as part of this, Members undertook to complete a training needs analysis (including individual assessment) during the forthcoming year and to update the Plan based on its outcome.

In December 2010, the Board reinforced its commitment to Member training by agreeing to aim for compliance with the CIPFA Knowledge and Skills Framework. This will be taken forward during 2011/12.

6. Future Work Programme

- 6.1 The Board maintains a forward plan of its forthcoming work (the Forward Look) which identifies items to be brought before Members over time and programmes tasks for future years. The document is reported to each Board meeting and assists in facilitating progress towards the objectives contained in the Essex Pension Fund Business Plan as well as in programming routine items of business.
- 6.2 In addition to a number of regular standing items, issues to be considered in 2011/12 include:
 - Review of the Local Government Pension Scheme
 - Further work on the implementation of the agreed policies for admissions and bulk transfers
 - Development of an Administration Strategy
 - Review of AVC arrangements