

Essex Pension Fund Board

14:00	Monday, 19 January 2015	Committee Room 2, County Hall, Chelmsford, Essex
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Please note that there will be pre-meeting training on Governance and Legislation for all Board Members in Committee Room 2 at 12.30pm. Lunch will be provided.

Quorum: 4

Membership

Councillor R Bass
Councillor S Barker
Councillor K Clempner
Councillor N Hume
Councillor N Le Gresley
Councillor J Whitehouse
Councillor J Archer
Councillor R Woodley
Councillor G Rice
Councillor J Galley
Councillor C Seagers
Mr K Blackburn
Ms J Moore
Mr C Garbett

Representing

Essex County Council (Chairman)
Essex County Council
Essex County Council
Essex County Council
Essex County Council
Essex County Council
Maldon District Council
Southend-on-Sea Borough Council
Thurrock Council
Chelmsford City Council
Essex Fire Authority
Scheme Members
Smaller Employing Bodies
Essex Police and Crime Commissioner

For information about the meeting please ask for:

Ian Myers, Senior Committee Officer

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Essex County Council

Essex County Council and Committees Information

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

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The agenda is also available on the Essex County Council website, www.essex.gov.uk From the Home Page, click on 'Your Council', then on 'Meetings and Agendas'. Finally, select the relevant committee from the calendar of meetings.

Please note that an audio recording may be made of the meeting – at the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

Part 1

(During consideration of these items the meeting is likely to be open to the press and public)

	Pages
1 Apologies for Absence To note apologies for absence	
2 Declarations of Interest To note any declarations of interest to be made by Members	
3 Minutes To confirm as a correct record the Minutes of the meeting held on 10 December 2014	5 - 10
4 Local Government Pension Scheme Structural Reform To receive a verbal update from the Director for Essex Pension Fund	
5 Essex Pension Fund Governance structure incorporating the formation of a new Local Pension Board	11 - 22
6 Dates of Future Meetings To agree the schedule of meetings for the Municipal Year 2015/16: <ul style="list-style-type: none">• Wednesday 8 July 2015• Wednesday 16 September 2015• Wednesday 4 November 2015 (training day)• Wednesday 9 December 2015• Wednesday 20 January 2016 (training day)• Wednesday 9 March 2016 <p>All meetings of the Board will be held at 2.00pm and be preceded by training.</p>	
7 Urgent Business To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.	

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

8 Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm at County Hall, Chelmsford on 10 December 2014

Present:

Member

Essex County Council

Cllr N J Hume (Chairman)

Cllr S Barker

Cllr K Clempner

Cllr N Le Gresley

Cllr J Whitehouse

District/Borough Councils in Essex

Unitary Councils

Cllr R Woodley Southend-on-Sea Borough Council

Essex Fire

Authority

Cllr C Seagers

Scheme Members

Keith Blackburn

Smaller

Employing Bodies

J Moore

Police and Crime

Commissioner

C Garbett

The following Members were also present:

Cllr K Bobbin

The following officers and advisers were also present in support:

Annemarie	Allen	Senior Pensions Consultant (Barnett Waddington)
Jody	Evans	Head of Essex Pension Fund
Margaret	Lee	Executive Director Corporate and Customer Services
Kevin	McDonald	Director for Essex Pension Fund
Barry	Mack	Independent Governance and Administration Adviser (IGAA) (Hymans Robertson LLP)
Sara	Maxey	Employer Relationship Manager
Matt	Mott	Communications Manager for Essex Pension Fund
Ian	Myers	Secretary to the Board
David	Tucker	Employer Liaison Manager

1. Apologies for Absence

Apologies for absence were received from Cllr Bass, Cllr Archer and Cllr Galley.

2. Declarations of Interest

The Chairman requested Members declare any interests as appropriate.
Cllr Clempner declared an interest in item 8, Pension Fund Activity, in particular, Harlow Welfare Rights & Advice.

3. Minutes

Resolved:

That the minutes of the Essex Pension Fund Board held on 17 September 2014 be approved, subject to a minor amendment, as a correct record and signed by the Chairman.

4. Pension Administration Software

The Board considered a joint report (EPB/31/14) by the Director of Essex Pension Fund and Head of Essex Pension Fund.

Members were reminded of the decision to procure the Civica UPM (Universal Pension Management) software. A significant amount of Officer involvement has resulted in its successful implementation and 'go live' status on 5 November 2014. A period of running the two administration systems side by side will be followed by the implementation of the plan to decommission the original administration software.

Margaret Lee commented on the excellent work undertaken and congratulated everyone involved in the project.

Resolved:

That the report be noted.

5. Structural Reform

The Board received a verbal update from the Director for Essex Pension Fund on the DCLG Consultation on 'Opportunities for collaboration, cost savings and efficiencies'.

Members were informed that following the consultation on the proposals the Government is on track to publish its response in the New Year.

Resolved:

That the update be noted.

6. Governance Working Group

The Board received a joint report by the Director for Essex Pension Fund and the Independent Governance & Administration Adviser which provided an update with the progress of the Governance Working Group. Members noted, in particular:

- The proposed timetable of events
- The naming of various bodies
- Remit of the new Pension Advisory Board (PAB)
- Impact of current governance structure and current Scheme of Delegation
- Constitutional structure of the PAB
- The proposals put forward by Cllr Bass as outlined by Kevin McDonald

Members raised a number of comments concerning chairmanship, nominations to and membership of the Boards. It was agreed the new Pension Advisory Board would be expected to undertake some significant and useful work.

Resolved:

It was noted the Governance Working Group would meet again on 15 December 2014 to consider all the comments raised and report back in more detail to this Board on 19 January 2015. This Board will then finalise its formal proposal for consideration by Essex County Council on 10 February 2015.

7. Academy Forum

The Board received a verbal update from the Director for Essex Pension Fund on the Academy Forum that took place on 5 December 2014.

Members were informed that over 100 representatives from academies attended the Forum with excellent feedback received from the delegates. Full information is being sent to those who could not attend the event.

A report on feedback received will be made to a future meeting of this Board.

Resolved:

That the update be noted.

8. Funding Strategy – Academy employer contributions 2015/16 & 2016/17

The Board considered a joint report (EPB/33/14) by the Director of Essex Pension Fund and Head of Essex Pension Fund.

The report detailed and recommended:

- The process for setting the academies' employer contribution rates following the 2013 actuation.

- The method for setting the academies' employer contribution rates for the remaining two years of the current valuation period.

Resolved:

That the report be agreed.

9. Charging for late submission of employer year end returns

The Board considered a report (EPB/34/14) by the Head of Essex Pension Fund.

Members noted in particular the issues caused by the late submission of year end data by a minority of Fund employers and the proposed recommendations outlined in the report.

Resolved:

That the report be agreed.

10. Update on Pension Fund Activity

The Board considered a joint report (EPB/35/14) by the Director of Essex Pension Fund and Head of Essex Pension Fund.

Members noted in particular the following:

2014/15 Business Plan

- Introductory meetings have been held for Councillors Woodley and Galley.
- The Appointment Sub-Committee held on 13 October 2014 agreed the appointment of Barry Mack, Hymans Robertson, as the Independent Governance and Administration Adviser.
- A workshop focussing on the requirements of the CARE provision scheme was held in October 2014 for Town and Parish Councils.

Risk Register

- Risk (A1) is now reported as amber following an update to AXISE & UPM which has reduced the reliance on manual calculations.

Scorecard

- Whilst the overall performance of 1.2 (Appropriate Knowledge and Skills to manage the Pension Fund) is improving, Members were reminded of the importance of attending appropriate training sessions.
- The Essex Leaders & Chief Executives Group has nominated Cllr Galley as its representative.
- Projected net cash flow outgoings will continue to be monitored closely.
- The Fund has received confirmation that the liquidation of Harlow Welfare Rights & Advice has resulted in an unrecoverable deficit of £95,000.

Resolved:

That the report be noted.

11. Investment Steering Committee (ISC) Quarterly Report

The Board considered a joint report (EPB/36/14) by the Director of Essex Pension Fund detailing ISC activity since the last Board meeting.

Resolved:

That the report be noted.

12. Date of Next Meeting

The next Board meeting will be held at 2.00pm on Monday 19 January 2015 in Committee Room 2, preceded by a Member training session.

13. Urgent Business

There was no urgent business.

There being no further business, the meeting closed at 3.40pm.

Chairman

Essex Pension Fund Board	EPB/01/15
date: 19 January 2015	

Essex Pension Fund Governance structure incorporating the formation of a new Local Pension Board

Report by the Director for Essex Pension Fund and the Independent Governance & Administration Adviser

Enquiries to Kevin McDonald: 0333 0138 488

1. Purpose of the Report

- 1.1 To put forward a ***draft*** proposal on the Fund's Governance structure incorporating the formation of a new Local Pension Board (as required by the Public Service Pensions Act 2013 (PSPA13)) from 1 April 2015 for consideration by the Board.

2. Recommendations

- 2.1 It is recommended that the Board:

- considers the *draft* proposal in section 5 of this report including membership arrangements illustrated in annex A;
- amend where/if required;
- agrees a proposal to be considered by Essex County Council; and
- agrees that if necessary, the Director for Essex Pension Fund, after consulting the Chairman of the Board, may revise the recommendation if the final form of the Regulations is different from the latest draft.

3. Background

- 3.1 At its meeting on 9 July 2014, the Board agreed to the formation of a Governance Working Group (GWG) to explore options relating to the revised governance arrangements stemming from the Public Service Pension Act 2013 (PSPA13) and subsequent draft LGPS Regulations. The GWG's membership was agreed to be Cllr Barker, Cllr Whitehouse and Jenny Moore.
- 3.2 At its meeting on 17 September 2014, the Board agreed an outline timetable, an extract of which is set out below.

Date	Event	Comment
19 November 2014	Governance Working Group	GWG explore options in light of available publications.
10 December 2014	Pension Board	GWG update the Pension Board on progress. Board invited to comment.
19 January 2015	Pension Board (additional meeting)	GWG reports on completion of its work. Board agrees final proposals to be submitted to Council.

- 3.3 It is important to note that the Regulations which will require the Fund to have revised governance structures were not made, at the time of writing. In 2014 the Government consulted twice (in August and November) on draft regulations. The final regulations have not yet been published, but it is understood that the Government intends to make regulations very soon, and that these will require Scheme Managers/Administering Authorities to adopt the new arrangements by 1 April 2015.

4. Progress

- 4.1 The GWG met on Wednesday 19 November 2014 and were able to agree certain principles.
- 4.2 These principles formed part of a report that was on the agenda for the Board meeting on 10 December 2014. In his absence officers also shared with the Board, some draft suggestions on membership arrangements from Cllr Bass, Chairman. The Board discussed both the principles and the draft suggestion, and comments were noted.
- 4.3 The GWG again met on Monday 15 December 2014 to consider the Board's comments in line with their agenda. Officers have also subsequently met with Cllr Bass.
- 4.4 The Director for Essex Pension Fund and Independent Governance & Administration Adviser (IGAA) have aimed to encapsulate the key themes of the discussions to date within the *draft* proposal in section 5 below. It is therefore recommended that the Board:
- consider the *draft* proposal in section 5 below including membership arrangements illustrated in annex A;
 - amend where/if required;
 - agrees a proposal to be considered by Essex County Council; and
 - agrees that if necessary, the Director for Essex Pension Fund, after consulting the Chairman of the Board, may revise the recommendation if the final form of the Regulations is different from the latest draft.

5. Draft proposal

- 5.1 The proposal covers a number of areas:

- A** Naming of existing and new bodies
- B** Remit of the new Local Pension Board
- C** Constitutional structure of new Local Pension Board
- D** Impact on current governance structure and current *Scheme of Delegation*
- E** Other matters

A: Naming of the various bodies

- 5.2 The current Essex Pension Fund Board will be retained and renamed as the Essex Pension Fund Strategy Board and known colloquially as the Pension Strategy Board (**PSB**).
- 5.3 The new Local Pension Board be named the Essex Pension Fund Advisory Board and known colloquially as the Pension Advisory Board (**PAB**)
- 5.4 The current Essex Pension Fund Investment Steering Committee, known colloquially as the Investment Steering Committee (**ISC**) will be retained.

B: Remit of the PAB

In principle, the PAB will

- 5.5 be a 'critical friend' to the PSB and ISC;
- 5.6 not be unwieldy in size, with appropriate experience, co-opting if necessary;
- 5.7 assist the PSB (in accordance with the PSPA13) in meeting the Essex Pension Fund's compliance requirements with legislation, regulations, guidance and the pension regulator's (tPR's) code of practice; and
- 5.8 provide oversight of decisions made by the PSB, ISC and officers to ensure that due process has been followed (to be expanded in PAB's proposed terms of reference to ensure that any intervention is on material grounds only).

At the invitation of the PSB, the PAB may also (not exhaustive):

- 5.9 reduce the workload of the PSB and allow/enable the PSB to focus on strategic issues and decision making at the discretion of PSB – examples include reviewing the risk management process, detailed review of risks and detailed review of the scorecard whilst noting that the PSB remains responsible for the identification and management of those risks;
- 5.10 review administration standards to ensure they are fit for purpose, review administration performance and review the efficacy of scheme member and employer communications;
- 5.11 review published administering authority policies to ensure they remain fit for purpose and are complete;

- 5.12 review Fund annual reports;
- 5.13 consider producing PAB annual report in accordance with requirements, guidance and general accountability to stakeholders;
- 5.14 be considered an integral part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and scheme members; and
- 5.15 discuss strategic matters such as communications where requested by the PSB.

The PAB will:

- 5.16 commence a review of its efficacy after the first 18 months to determine whether it is meeting the needs of Fund's stakeholders and in time for any changes to be made at the 2-year anniversary.

The proposed terms of reference for the PAB will be circulated at the meeting.

C: Constitutional structure of the PAB

- 5.17 At the Board's meeting on 10 December 2014, a breakdown of the Fund's membership profile was requested. This was subsequently considered by the GWG in the proposed structure of the PAB and is set out in detail in the following table. (Annex A illustrates the proposed membership of PAB, PSB and ISC)

2013 Valuation: Membership Profile	%	%
County Council		47.3%
Borough, City & District Councils		15.6%
Unitary Councils		12.1%
Police	3.9%	
Fire	0.5%	
Probation & Magistrates	1.1%	
Academies	6.6%	
Universities & Colleges	6.2%	
Transferee Admission Bodies	3.1%	
Community Admission Bodies	3.3%	
Town & Parish Councils	0.4%	25.0%
Total		100.0%

Accordingly, the PAB will be made up of 9 members:

- 5.18 4 employer representatives made up of ECC (1), Borough/City/District (1), Unitary (1) plus the remainder (1);
- 5.19 4 scheme member representatives of which 1 will be nominated by the trade unions and the rest drawn from the total scheme membership (actives, deferreds and pensioners);
- 5.20 no substitutes;
- 5.21 an initial 2 year term of office in line with an initial 18-month review;
- 5.22 an officer chairman for an interim period (see below);
- 5.23 employer and scheme member representatives to be appointed through a clear and transparent process but the mechanism itself will be dealt with separately;

- 5.24 a reciprocal chairing proposal from the Norfolk Pension Fund was previously highlighted to the GWG and mentioned to the Board. Under this proposal the Director for Essex Pension Fund would be required to chair Norfolk's local pension board and the Head of the Norfolk Fund would chair the Essex PAB. It is proposed that this reciprocal arrangement is agreed for an initial period;
- 5.25 all PAB Members will be entitled to vote unless otherwise stated in the Regulations;
- 5.26 no member of the PAB will be a member of the PSB. All members of the PAB may attend the PSB and ISC. However, the PAB will appoint 1 employer representative and 1 scheme member representative as official observers to the PSB and ISC. These observers may be appointed by rotation at the discretion of the PAB and will be required to report back to the PAB; and
- 5.27 Fund Officers will be in attendance as required for support and to provide background information.

D: Impact on current governance structure and current Scheme of Delegation

The PAB will be a new body. Since it will not be permitted that an individual can be a Member of both the PSB and the PAB, the PSB:

- 5.28 could 'transfer' some of its membership to the PAB to help ensure appropriate experience on the PAB.

Furthermore:

- 5.29 the PSB could reduce its membership on the basis that employer and scheme member representation would be through the PAB - the PSB then retains the balance of power in favour of ECC, which is appropriate given that the ECC, as Administering Authority has the ultimate obligation to the Essex Pension Fund;
- 5.30 the PSB would focus activities on strategic matters e.g. funding strategy, administration, communication and governance;
- 5.31 the ISC will continue to report to the PSB on all investment matters; and
- 5.32 those wishing to be members of the PSB could gain the appropriate experience and expertise by initially being a member of the PAB.

In light of the above, the proposed membership of the PSB is as follows:

- 5.33 the 7 ECC elected councillors forming the membership of the ISC is chosen by ECC in line with ECC's political balance;
- 5.34 1 Borough/City/District representative who will not be from the same Borough/City/District as the corresponding employer representative on the PAB;
- 5.35 1 Unitary representative who will not be from the same Unitary as the corresponding employer representative on the PAB;
- 5.36 1 representative for the remainder who will not be from the same sector as the corresponding employer representative on the PAB;
- 5.37 1 trade union nominated representative;
- 5.38 substitutes may continue to be allowed to attend meetings but will be subject to the same training requirements as the full members of the PSB; and
- 5.39 no member of the PSB will be a member of the PAB. Any member of the PSB may attend the PAB and ISC as an observer. However, the PSB will appoint 1 member as an official observer to the PAB. This observer may be appointed by rotation at the discretion of the PSB and will be required to report back to the PSB.

Annex A illustrates the proposed membership of PAB, PSB and ISC.

E: Other matters

The GWG also discussed the following matters which it proposes are reflected in the PAB's proposed terms of reference. The PAB:

- 5.40 will consider when best to meet in order to meet its obligations but will meet at least 2 times a year, one of which will be its AGM for considering, for example, its annual report;
- 5.41 will be supported by Essex Pension Fund Officers and may finalise a business plan in agreement with the Director for Essex Pension Fund;

- 5.42 will have unfettered access upon request to all papers in connection with the Essex Pension Fund;
- 5.43 no member of the PAB will have a conflict of interest and the PAB will produce and maintain a conflict of interest policy;
- 5.44 allowances and expenses will be in accordance with established practice for the PSB under the ECC constitution;
- 5.45 quorum will be the Chairman, 1 employer representative and 1 scheme member representative; and
- 5.46 training opportunities will be shared with the PSB and ISC as far as is practical and reasonable.

6. Regulations and guidance

- 6.1 The Government has twice consulted on draft Regulations, most recently in November 2014. Final Regulations are expected shortly.
- 6.2 TPR's code of practice is now expected to be laid before parliament this month.

7. Next steps

- 7.1 Following any changes recommended at the Board meeting on 19 January 2015, the Director for Essex Pension Fund, with advice from the IGAA where required, will finalise the Board's proposal for the revised Fund governance structure and formation of a PAB for consideration by ECC.
- 7.2 The GWG is likely to be required to meet again to consider the process to be adopted for the appointment of members to the PAB.
- 7.3 The GWG will then report back to the meeting of the Board on 4 March 2015. At this point the Board will be asked to approve the final arrangements so that implementation of the new governance structure can be effected.

8. Link to Essex Pension Fund Objectives

8.1 Maintaining awareness of current issues with regard to LGPS reform will assist the Board in achieving the following Fund objectives:

- ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- understand and monitor risk and compliance
- to ensure the Fund is properly managed
- compliance with Fund's governance arrangements.

9. Risk Implications

9.1 The Fund's risk register includes the following risk (Ref G1): *"Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and / or need to make major changes at short notice"*.

10. Communication Implications

10.1 Communication with scheme members/employers/stakeholders will take place at the appropriate stage of the process of forming the PAB.

11. Finance and Resources Implications

11.1 The expenses of the PAB will be met from the Fund.

12. Background Papers

12.1 Fund response to Local Government Pension Scheme (England & Wales) new governance arrangements – discussion paper, September 2013.

12.2 Training session on Governance by Independent Governance & Administration Adviser 22 January 2014.

- 12.3 Item 6C (Draft Regulations on Scheme Governance) from Pension Board agenda 9 July 2014.
- 12.4 Fund response to DCLG consultation: Draft Regulations on Scheme Governance, August 2014.
- 12.5 Item 5B (LGPS) Reform Scheme Governance from Pension Board agenda 17 September 2014.
- 12.6 Item 5B (LGPS) Reform Scheme Governance from Pension Board agenda 10 December 2014.

ANNEX A – DRAFT MEMBERSHIP PROPOSAL

DRAFT proposal	% Fund Population	Invest Steering Cttee (ISC)	Pension Strategy Board (PSB)	Pension Advisory Board (PAB)	Key
County Council	47.3%	7	7		Members
				1	
Borough, City & District Councils	15.6%		1		PSB / PAB Representative Observer
				1	
Unitary Councils	12.1%		1		Additional Observer
				1	
Smaller Employers (including Police & Fire)	25.0%		1		
				1	
Trade Unions (Scheme Member Representative)			1		
				1	
Scheme Member Representative				3	
Officer Chairman				1	
Total Members		7	11	9	
PSB / PAB Representative Employer Observer		1			
		1	1		
PSB / PAB Representative Scheme Member Observer		1			
		1	1		
Maximum potential Additional Observers		9	7	11	
Grand Total	100.0%	20	20	20	