

**Minutes of a meeting of the Essex Pension Fund Board held at 2.00 pm at County Hall, Chelmsford on 5 March 2014**

Present:

**Member**

**Essex County Council**

Cllr R L Bass (Chairman)  
 Cllr S Barker  
 Cllr K Clempner  
 Cllr N J Hume  
 Cllr N Le Gresley  
 Cllr J Whitehouse

**District/Borough Councils in Essex**

Cllr J Archer Maldon District Council  
 Cllr P Challis Castle Point Borough Council

**Unitary Councils**

Cllr A Moring Southend-on-Sea Borough Council  
 Cllr G Rice Thurrock Council

**Essex Fire Authority**

Cllr M Danvers

**Scheme Members**

Mr K Blackburn

**Smaller Employing Bodies**

J Moore

The following officers were also present in support:

Annemarie	Allen	Senior Pensions Consultant (Barnett Waddington)*
Jody	Evans	Head of Essex Pension Fund
Kevin	McDonald	Director for Essex Pension Fund
Barry	Mack	Independent Governance and Administration Adviser (Hymans Robertson LLP)*
Sara	Maxey	Employer Relationship Manager
Graeme	Muir	Fund Actuary (Barnett Waddingham)*
Graham	Hughes	Secretary to the Board

\* In attendance for items 1-11 only.

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Councillor Rice was welcomed to his first meeting.

**1. Apologies for Absence**

Apologies for absence were received from Councillors M Mackrory (Essex County Council), K Bobbin (Essex County Council substitute member), and C Garbett (Essex Police and Crime Commissioner).

**2. 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.

In connection with the discussion on Employer Analysis (under minute 12 below), Councillors Clempner and Danvers declared an interest as they were members of Harlow District Council and Councillor Challis declared an interest as she was chair of governors of a local academy school.

No other declarations were made.

**3. Minutes****Resolved:**

That the minutes of the Essex Pension Fund Board held on 9 December 2013 be approved as a correct record and signed by the Chairman.

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The Chairman proposed, and it was agreed, to vary the order of business from that stated in the published agenda and to consider the item on Local Government Pension Scheme Reform (Item 5 in the published agenda) next, followed by the item on Funding (agenda item 4 in the published agenda) before reverting to the published order of business.

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**4 Local Government Pension Scheme Reform update**

The Board considered a report (EPB/02/13) by the Head of Essex Pension Fund updating the Board on developments regarding potential structural reforms of the Local Government Pension Scheme (LGPS), required scheme Regulations, and governance arrangements. A formal 12 week public consultation was expected to commence later in the month. Once exact timing of the consultation was known, appropriate arrangements would be put in place to ensure the Board had the opportunity to comment and respond.

The Chairman had written to the Parliamentary Under-Secretary of State in the Department for Communities and Local Government expressing serious concerns about the co-ordination, clarity and timeliness of the development of new Regulations that would apply to the LGPS.

The continued delay in the publication of the Regulations could adversely impact on the timely implementation of required updates to Fund systems and processes and an entry had been added to the Risk Register to reflect this.

Certain transitional arrangements would be put in place for those nearing retirement.

The Chairman's letter (referred to above) had also expressed concerns about developments in governance and improving scrutiny proposed under the Public Service Pension Act that could generate certain issues for the LGPS which may not be the case for other public sector pension schemes. Concern had also been expressed about the delay in the publication of any proposals on academy pooling.

**Resolved:**

- (i) That the report be noted; and
- (ii) a further update report be presented to the next meeting.

## **5. Funding: Actuarial Valuation**

The Board considered a report (EPB/01/13) from the Director of Essex Pension Fund updating the Board on the 2013 actuarial valuation and to report on the recent consultation exercise with the Fund's Employer bodies on the draft Funding Strategy Statement (FSS). The feedback received from the consultation had not required any significant changes to be made to the draft FSS.

All Employer Bodies had now received their funding results (with the exception of academies). The Funding level valuation was 80% compared to 71% at the time of the last valuation. The improved funding level reflected better investment returns and the use of an economic model for discount rates calculations rather than a gilts plus model. However, the ongoing cost of the Fund had increased to 14.3% now compared to 12.2% at the time of the last valuation due partly to more cautious actuarial assumptions on future investment returns and the anticipated increasing cost of implementing transitional arrangements arising from LGPS.

The key points of the proposed FSS were:

- There would normally be no net reduction in payments where a deficit existed;
- The aim would be to provide payment options based on stability of contributions (generally within 1% of payroll rate);
- The starting point was the 2010 deficit duration less three years where the deficit recovery period was greater than the average future working life;
- Annual up-front payment of deficit allowable;
- Triennial up-front payment of deficit allowable;
- Stepped introduction of new rates would be permissible if required.

Recovery periods for each Employer body were variable reflecting each unique employer profile and different joining dates. The majority of major tax raising Employer bodies had opted for an annual up-front payment to be made in April each year.

There would be a different way to determine contribution rates if an Employer had closed access to the Fund for new employees.

There would be the opportunity for interim reviews of the FSS prior to the next Triennial valuation.

**Resolved:**

- (i) That the report be noted;
- (ii) That, subject to minor typographical changes suggested at the meeting being made, the updated FSS be approved for final publication.

**Governance**

6.

**Update on Pension Fund Activity**

**A(i) 2013/14 Business Plan**

**A(ii) 3 year business plan**

**B Risk Management**

**C Measurement against Fund Objectives (Scorecard)**

The Board received a joint report (EPB/03/14) by the Director for Essex Pension Fund and Head of Essex Pension Fund, which provided an update on the 2013/14 Business Plan, a 3 year business plan, risk management and scorecard recording measurement of progress against objectives.

Key developments in the Business Plan and Risk Register were outlined. Work arising from LGPS structural reform would be added to the Business Plan. The contract with a new provider of a new administration system had been signed in early February 2014.

No new risks had been added since the last Board meeting. However, the risk of failing to administer the scheme in line with regulations and policies arising from LGPS Reform, due to the delay in the release of draft regulations in sufficient detail to enable adequate planning, had been moved to red status.

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.

- The Independent Governance and Administration Adviser outlined proposed changes to how training attendance and test results would be recorded in future. Members were requested to advise the Independent Governance and Administration Adviser of any required changes to their personal training record;
- Fund expenditure was currently forecast to exceed fund income (excluding investment income) in 2015/16. In that instance, investment income would be used to fund part of the payment of Fund benefits. The Investment Steering Committee would continue to monitor Fund cash flows;
- It was proposed to delay the date of the next Employee Survey until May 2015 to avoid undertaking it during the period of upheaval implementing LGPS Reform.
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**Resolved:**

- (i) That the update be noted;
- (ii) That the Board agreed the detailed actions in the 2014/15 Business Plan and that the three year Business Plan be updated to reflect this;
- (iii) That the date of the next Scheme Employer and Member Survey be deferred until May 2015.

**7.****Investment Steering Committee (ISC) Quarterly Report**

The Board considered a report (EPB/04/14) by the Director for the Essex Pension Fund which provided an update on the ISC activity since the last Board meeting.

**Resolved:**

- (i) That the report be noted;
- (ii) That the Board recommended to Essex County Council that the Terms of Reference of the Investment Steering Committee be extended to include the following:
  - To approve and annually review the content of the Pension Fund Treasury Management Strategy.

**8. Employer Forum**

The Board considered a joint report (EPB/05/14) by the Director for Essex Pension Fund and Head of Essex Pension Fund on matters in connection with convening a 2014 Employer Forum. The Board were updated on the consultation regarding the position of the Smaller Employers Representative (SER) on the Board with a consensus to delay the election for a SER so as to coincide it with new governance arrangements commencing in April 2015:

**Resolved:**

- (i) To note the report;
- (ii) To convene the next Employer Forum on Friday 9 May 2014 (10am-12 noon) at a venue to be confirmed. A separate Forum for academies would be convened once clear guidance had been received from central government on any plans for academy pooling.

**9. Forward Look**

The Board considered a report (EPB/06/14) by the Secretary to the Board which presented a Forward Look detailing the Board's future business.

**Resolved:**

That the report be noted and approved.

**10. Date of Next Meeting**

The next Board meeting would be held at 2pm on 9 July 2014 preceded by a Member training session (timing to be confirmed).

Thereafter, certain officers (indicated in the attendance record at the start of these minutes) left the meeting.

#### **11. Exclusion of the Press and Public**

##### **Resolved:**

That, having reached the view that, in each case, the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following item of business on the grounds that they involved the likely disclosure of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

#### **12. Employer Analysis**

(Exempt under paragraph 3 – information relating to the financial or business affairs of any particular person)

The Board considered a report (EPB/07/14) on matters in connection with the liquidation of an Employer body.

##### **Resolved:**

- (i) That the report be noted;
- (ii) That a further report be provided once the liquidation of the Employer body was complete.

#### **13.**

##### **National Procurement Frameworks**

(Exempt under paragraph 3 – information relating to the financial or business affairs of any particular person)

The Board considered a report (EPB/08/14) on the preferred procurement approach regarding the tender of an Independent Governance and Administration Adviser. It was confirmed that shortlisted candidates would be required to make a presentation to the Board.

##### **Resolved:**

That the recommendation contained therein in relation to the recommended procurement approach be agreed.

There being no further business, the meeting closed at 3.30 pm.

Chairman  
9 July 2014