

**Essex Pension Fund Board**

**Annual Report 2012/13**

## **1. Introduction**

- 1.1 This is the fourth Annual Report of the Essex Pension Fund Board, covering the period from 1 April 2012 until 31 March 2013.

## **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:

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 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.
- 2.3 The Board met four times during the period covered by this report; on 11 July, 27 September and 13 December 2012 and 6 March 2013. The Annual Strategy Day was held on 14 November 2012.

### **3. Membership**

- 3.1 The Board has 14 members. These represent Essex County Council, District, Borough and Unitary Councils in Essex, the Essex Police and Crime Commissioner, Essex Fire Authority, Scheme members and Smaller Employing Bodies (ie those which are not already specifically represented on the Board).
- 3.2 The membership of the Board as at 31 March 2013 was as follows:

#### **Essex County Council (6)**

County Councillor Rodney Bass	Chairman
County Councillor John Aldridge	
County Councillor David Finch	Vice-Chairman
County Councillor Norman Hume	
County Councillor Michael Lager	
County Councillor Mike Mackrory	

#### **District/Borough Councils in Essex (2)**

District Councillor John Archer	Maldon
Borough Councillor Mrs Pamela Challis	Castle Point

#### **Unitary Councils in Essex (2)**

Borough Councillor Martin Healy	Thurrock
Borough Councillor Brian Kelly	Southend-on-Sea

#### **Essex Police and Crime Commissioner(1)**

Mr Charles Garbett

#### **Essex Fire Authority (1)**

County Councillor Eddie Johnson

#### **Scheme Members (nominated by UNISON) (1)**

Mr Keith Blackburn

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

Mrs Jenny Moore

### **4. Dimensions of the Fund**

- 4.1 Based on the draft accounts, as at 31 March 2013 the value of the Fund's assets was £3.959 billion.
- 4.2 The total value of pensions paid during 2012/13 was £154m, together with other benefits totalling £40.5m. The average value of pensions in payment was £4,554.00.
- 4.3 The total number of beneficiaries are as follows:

	<b>2012</b>	<b>2013*</b>
Contributors	42,315	44,501
Pensioners/dependents	32,269	33,818
Deferred Members	38,101	39,969
Total	112,685	118,288

\*Provisional numbers

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

4.4 The Board exercises on behalf of the Council the management of the Pension Fund whose membership comes from around 498 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
- Admission Bodies.

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

5.1 The following major issues were considered by the Board between 1 April 2012 and 31 March 2013:

### **Reform of the Local Government Pension Scheme**

The Board received updates on the proposed reform of the Local Government Pension Scheme. On 21 December the DCLG issued a consultation on the draft regulations and proposals for the new LGPS. The consultation period was just seven weeks due to the tight timescales required to allow the regulations to come into force in April 2014. The Fund issued its response to the consultation on 7 February. The Fund broadly welcomed the provisions of the draft regulations although it had concerns about areas of complexity and the increased burden placed on employers and scheme administrators.

### **Interim Review of the Fund as at 31 March 2012 and Amended Funding Strategy**

All Local Government Pension Scheme Funds are required to have a full Actuarial Valuation every three years; the next Valuation for Essex is due as at 31 March 2013. In the intervening years between Actuarial Valuations, Funds have the discretion to commission Interim Funding Reviews.

Alongside Actuarial Valuations, Funds are required to produce, consult on and publish a Funding Strategy Statement, the objectives of which include “to determine employer contribution requirements recognising the desirability of maintaining as nearly constant employer contributions as possible”.

The results of the Interim Review as at 31 March 2012 were reported to the Board and Members agreed that no fundamental changes should be made to the Funding Strategy Statement. However, following the positive response to the consultation, the Funding Strategy Statement and the Admission and Bulk Transfer Policy were amended and republished to enable, subject to satisfactory surety, the agreement of formal termination deficit payment plans with employers exiting the Fund, in order to maximise repayment of deficits to the Pension Fund.

### **Administration Strategy**

Regulation 65 of the Local Government Pension Scheme (Administration) Regulations 2008 makes provision for Administering Authorities to publish a written statement setting out their policy concerning administration matters. In 2011/12 the Board approved for consultation with employers and other stakeholders a draft strategy which had been developed to take account of matters previously agreed and current practices. Having considered the results of the consultation the Board approved the Administration Strategy.

### **Other Issues**

Amongst the other issues considered by the Board have been:

- Reports to each meeting providing an update on Pension Fund activity with regard to the 2012/13 Business Plan, risk management and measurement of progress against objectives ( scorecard).
- Approval of the Treasury Management Strategy for 2013/14.
- Approval of the Fund's updated Governance Policy and Compliance 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 outcome from the two audits undertaken during 2011/12 with the award of Full Assurance in respect of Pension Administration and Pension Investment.
- Quarterly reports on the work of the Investment Steering Committee.

### **Member Training**

The Board has continued to demonstrate its commitment to training and development, with a view to ensuring that Members are able to fulfil their roles effectively. An updated training plan was approved in July 2012 to ensure appropriate focus is given to the Board and Investment Steering Committee members and to incorporate new training events and conferences as they become available. New members of the Board have received induction training and all members have been strongly encouraged to participate in a range of training courses and events, both internal and external. In addition, the calendar

of meetings included a separate training sessions and one day in November for holding the Annual Strategy Day.

Details of Members' attendance at Essex Pension Fund Board and Investment Steering Committee meetings and training events (internal and external) are recorded throughout the year and presented to the Board at its March meeting. They are also reported on an ongoing basis as part of the Board's assessment of its performance against objectives identified in the Business Plan.

During 2012/13, internal training sessions have covered the following issues:

- accounts and audit regulations
- investments
- the changing dynamics of the Local Government Pension Scheme
- implementing the new Local Government Pension Scheme 2014.
- governance

## **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.
- 6.2 In addition to the regular standing items, the reform of the Local Government Pension Scheme remains an issue for consideration in 2013/14.