

## **ESSEX PENSION FUND BOARD**

# **Annual Report 2009/10**



Essex County Council

## **1. Introduction**

- 1.1 This is the first Annual Report of the Essex Pension Fund Board, covering the period since its establishment and first meeting in 2008 until the end of the Financial Year 2009/10.

## **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 meets four times each year; in March, June/July, September and December.

### **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. The Constitution and composition is due to be reviewed early in 2011, after a three year period of initial operation.
- 3.2 The membership of the Board as at 31 March 2010 is as follows:

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

County Councillor R L Bass	Chairman
County Councillor Mrs T M Chapman	Deputy Chairman
County Councillor S Candy	
County Councillor D M Finch	
County Councillor A J Jackson	
County Councillor M C Lager	substitute
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 A Moring	Southend-on-Sea BC
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#### **Essex Police Authority (1)**

County Councillor A J Jackson  
County Councillor S M Walsh

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

County Councillor E C Johnson

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

Mr A Meyrick

- 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.

Details of Members' attendance at Essex Pension Fund Board and Investment Steering Committee meetings and training events are recorded and presented to the Board on an annual basis.

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

- 4.1 The value of the Fund's investments as 31 March 2010 was £3.084m.
- 4.2 The total value of pensions paid during 2009/10 was £125m, together with other benefits totalling £36m. The average value of pensions in payment was however only £4,299.

- 4.3 The total number of beneficiaries are as follows:

Active Members	43,728
Pensioners/dependents	29,165
Deferred Members	32,173
Total	105,066

- 4.4 The Board exercises on behalf of the Council the management of the Pension Fund whose membership comes from over 360 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 November 2008 and April 2010:

##### **Essex Pension Fund Objectives and Business Plan**

The Essex Pension Fund Business Plans for 2009/10 and 2010/11 were approved updates submitted to each meeting detailing progress towards achieving the objectives contained therein. As part of a training and strategy day, the Board debated appropriate objectives for the Pension Fund across the themes of Governance, Investments, Funding, Administration and Communications. These objectives were approved by the Board together with a revised format of Business Plan for 2010/11 detailing the associated action plans for the Fund as a whole, organised across these themes.

##### **Review of Administering Authority Discretions**

The Board agreed that the policy in respect of the Council's discretionary powers in relation to its role as administering authority should be reviewed,

beginning with the powers for which there is a requirement to publish a policy statement or which are being exercised on a regular basis. The review has been included in the Fund Business Plan for 2010/11.

### **Interim Funding Review and Triennial Valuation**

The Board noted the process and timetable to be following for the triennial valuation of the Pension Fund as at 31 March 2010, which would determine employers' contributions for 2011/12, 2012/13 and 2013/14.

A Funding Review exercise (interim review of the Fund as at 31 March 2009) had been undertaken by the Fund Actuary, and a full report on this was received, identifying key current issues for the Board and the process for, and influences on, the triennial valuation. This constituted the first session of training for Members on the triennial valuation process and provided a useful grounding for future discussion once the outcome of the valuation was known.

### **Review of Abatement Policy**

Following consultation with scheme employers, and having fully considered the financial implications for the Fund, the Board approved a proposal to cease the abatement of pensions on re-employment with effect from 1 October 2009. It was also agreed that any pensions currently being abated because of re-employment should be reinstated, similarly with effect from 1 October.

### **Essex Pension Fund Treasury Management Policy and Strategy**

Changes to the Local Government Pension Scheme Regulations due to come into effect from 1 April 2010 will prevent any pooling of money between the Essex Pension Fund and the Administering Authority for treasury management purposes. In anticipation of these changes, an Essex Pension Fund Treasury Management Policy and Strategy, separate from that of Essex County Council, was prepared, and arrangements were in hand to introduce a separate bank account for the Pension Fund with effect from 1 April 2010. The Board was pleased to approve the Strategy and note progress towards the introduction of separate banking arrangements, paying tribute to officers' efforts in achieving this significant milestone.

### **Policies on Admission and Bulk Transfer**

A number of high level policy principles were approved in relation to employer admission and bulk transfers. It was agreed that further work should be carried out to identify any further principles that should be considered for addition to that policy and putting in place a framework incorporating detailed arrangements for its implementation. This work has forms part of the 2010/11 Fund Business Plan. As part of the approval of the policies, it was also agreed to carry out further risk analysis work in relation to the employers participating within the Essex Pension Fund. This is being carried out to feed into the setting of employer contribution rates as part of the 31 March 2010 triennial actuarial valuation.

**Appointment of Independent Adviser on Pensions governance and Pensions Administration**

The Board agreed to follow Government guidance on best practice in governance for the Local Government Pension Scheme by appointing an independent Adviser on Pensions Governance and Pensions Administration. Following a recruitment process, Karen McWilliam of Hymans Robertson was appointed on 10 August 2009 and attended her first Board meeting on 30 September.

**Responses to Consultations**

The Board authorised the Chief Financial Officer, in consultation with the Chairman of the Board, to respond to consultations on behalf of the Administering Authority, with details to be reported to the next meeting.

Responses were submitted to the following consultations:

- Sustaining the Local Government Pension Scheme in England and Wales
- Review of the Public Sector Transfer Club
- Local Government (Management and Investment of Funds) (Consolidation) Regulations 2009
- Local Government Pension Scheme (LGPS) – delivering affordability, viability and fairness

**Other Issues**

Amongst the other issues considered by the Board have been reports 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 External Audit Programme of work and Fees, reports concerning the Employer Forum and quarterly reports on the work of the Investment Steering Committee.

**5.2 Member Training**

Members have been offered training on the following issues:

- Induction
- Introduction to the Local Government Pension Scheme, the management of the Essex Pension Fund and governance issues
- Admissions, bulk transfers and outsourcing issues
- Actuarial valuations

In addition, a number of members are due to attend a Local Government Investment Seminar and training event organised by Baillie Gifford to be held in Edinburgh in October 2010.

**6. Future Work Programme**

- 6.1 In March 2010, the Board approved the introduction of a forward plan of work (the Forward Look) to identify items to be brought before Members over time and to programme tasks for forthcoming years. The document is updated on an ongoing basis and assists in facilitating progress towards the objectives

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contained in the Essex Pension Fund Business Plan as well as in programming routine items of business. The Forward Look is included on the agenda for all Board meetings.

6.2 Issues to be considered in 2010/11 include:

- Result of the 2010 Triennial Valuation
- Approval of Funding Strategy Statement
- Approval of the Essex Pension Fund Report and Accounts
- Summary of Internal Audit's work on the Pension Fund for 2009/10 and proposed work for 2010/11
- External Audit programme of work and fees for the Essex Pension Fund for 2009/10 and 2010/11
- An independent review of pensions administration
- Improved risk management and measurement against the Essex Pension Fund's objectives
- Annual Governance Report (AGR) for the Pension Fund
- Approval of annual training plan
- Approval of 2011/12 Essex Pension Fund Business Plan
- Review of Board membership
- Annual review of governance policy/compliance statement

In addition, the Board will receive regular updates on progress against the Essex Pension Fund Business Plan and quarterly reports of Investment Steering Committee (ISC) meetings.