

**Annual Report of the Essex Pension Fund Board(s),  
covering the period from 1 April 2017 until 31 March 2018.**

Report by the Director for Essex Pension Fund

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Enquiries to Kevin McDonald on 03330 138488 and Jody Evans on 03330 138489

**1. Purpose of the Report**

To present to the Pension Fund Strategy Board (“PSB”) the Fund’s annual report to Essex County Council.

**2. Recommendations**

To note the attached report.

**Essex Pension Fund**

**Annual Report 2017/18**

**July 2018**

## **1. Introduction**

This is the ninth Annual Report of the Essex Pension Fund Board(s), covering the period from 1 April 2017 until 31 March 2018.

## **2. Roles and Functions**

### **Essex Pension Fund Strategy Board**

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.

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 Essex Pension Fund 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.

The Board met four times during the period covered by this report: on 5 July 2017, 13 September 2017, 18 December 2017 and 7 March 2018.

## **Membership**

During the period covered by this report the Board had 11 members. They represented Essex County Council, the other local authorities in Essex (including Unitary Councils), Scheme members and Smaller Employing Bodies (i.e. those which are not already specifically represented on the Board).

The membership of the Board as at 31 March 2018 was as follows:

### **Essex County Council (7)**

Councillor Susan Barker	Chairman
Councillor Dave Blackwell *	
Councillor Stephen Canning **	
Councillor Alan Goggin	
Councillor Anthony Hedley	
Councillor Lee Scordis	
Councillor Clive Souter	

\* *Cllr Chris Pond replaced Cllr Dave Blackwell in May 2018*

\*\* *Cllr Mark Platt replaced Cllr Stephen Canning in May 2018*

### **District/City/Borough Councils in Essex (1)**

Councillor Colin Riley	Castle Point Borough Council
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### **Unitary Councils in Essex (1)**

Councillor Andrew Moring	Southend-on-Sea
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### **Scheme Members (nominated by UNISON) (1)**

Mrs S Child

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

Mrs Jenny Moore

## **Essex Pension Fund Advisory Board**

The Essex Pension Fund Advisory Board is appointed by Essex County Council as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013.

The Board has the following remit:

- (i) To assist the Scheme Manager to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other

legislation relating to the governance and administration of the LGPS and to secure compliance with requirements imposed in relation to the LGPS by the Pension Regulator

- (ii) To secure the effective and efficient governance and administration of the LGPS for the Essex Pension Fund (EPF)
- (iii) To help ensure that the EPF is managed and administered effectively and efficiently and complies with the code of practice.
- (iv) To assist the Scheme Manager with such matters as the scheme regulations may specify.
- (v) To be a “critical friend” to the PSB and the Investment Steering Committee (ISC).
- (vi) The Board may review any decision made by or on behalf of the Scheme Manager.
- (vii) The Board will adopt a policy statement on reporting breaches.
- (viii) At the invitation of the PSB, the Board may also undertake other tasks.
- (ix) Appointing Observers to attend meetings of the PSB and the ISC.

## **Membership**

During the period covered by this report the Advisory Board had 9 members. They represented employer and scheme representatives and an independent Chairman

The membership of the Advisory Board as at 31 March 2018 was as follows:

### **Employer Representatives (4)**

Andrew Coburn	Unison
Paul Hewitt	Deferred Member
Mark Paget	Active Member
Vacancy ***	Deferred member

\*\*\* *Debs Hurst (Active Member) was appointed to the vacancy in May 2018*

### **Scheme Representatives (4)**

James Durrant	Essex Fire Authority
Cllr Terry Cutmore	Rochford District Council
Cllr Shane Hebb	Thurrock Council
Cllr Simon Walsh	Essex County Council

### **Independent Chairman (1)**

Nicola Mark

Head of Norfolk Pension Fund

### **3. Dimensions of the Fund**

Based on the draft accounts, as at 31 March 2018 the value of the Fund's assets was £6.518bn

The total value of pensions paid during 2017/18 was £189m, together with other benefits totalling £46m.

The total number of beneficiaries are as follows:

	<b>2017</b>	<b>2018</b>
Contributors	59,954	66,449
Deferred Pensioners	55,536	55,904
Pensioners	39,104	40,528
<b>Total</b>	<b>154,594</b>	<b>162,881</b>

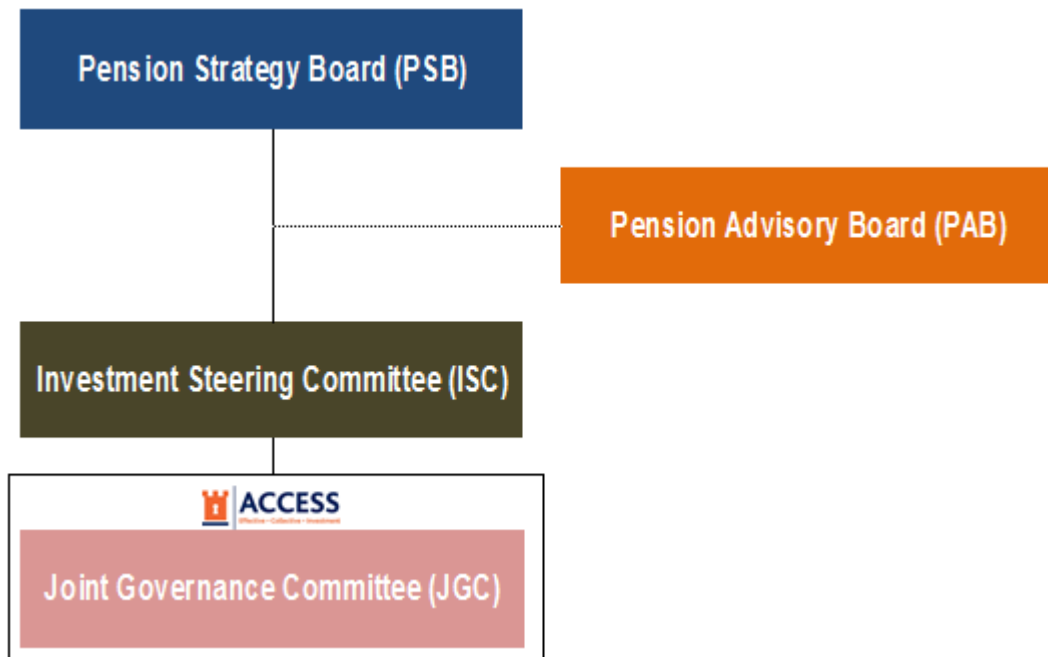
(Deferred Members are former employees who have chosen not to transfer their pension rights.)

The Board exercises on behalf of the Council the management of the Pension Fund whose membership comes from over 700 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
- Community Admission Bodies.

### **4. Pooling of investment management arrangements**

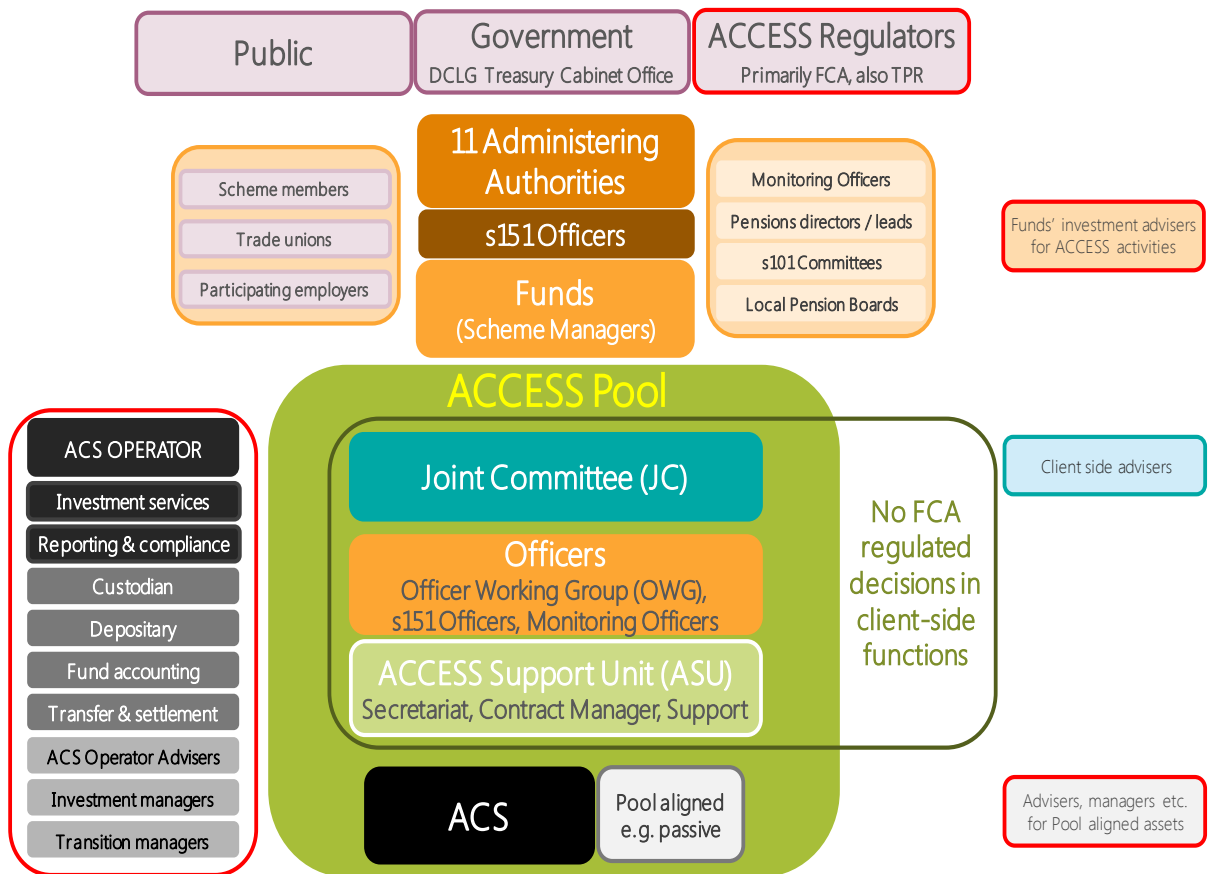
In May 2017 Essex County Council joined the ten other ACCESS local authorities in East Anglia & the South East in signing an Inter Authority Agreement on pooling LGPS Investment management arrangements. This formally established a Joint Committee (previously having been in shadow form) which has oversight of the ACCESS Pool. I join other Fund Chairmen on the Joint Committee to represent Essex within ACCESS. This development has led to an expansion of the Fund's governance arrangements which are set out below.



Having determined to procure a fully regulated operator to organise the pool, and after extensive dialogue with the market, an open tender process took place culminating with the Joint Committee determining the appointment Link Fund Solutions Ltd in early 2018. With responsibility for selecting and contracting Investment Managers, Link's submission to the FCA for authorisation of an umbrella ACS and first sub-fund (global equities) is at an advanced stage.

In appointing UBS as passive investment manager via the national LGPS framework ACCESS has further demonstrated the leverage of collective procurement in influencing competitive markets. Transitions completed in spring 2018 enabling ACCESS Funds to collectively realise annual fee savings of £5m – a milestone for the LGPS - which exceeded the expectations of the 2016 submission to Government by 25%.

With the long term success of this pioneering enterprise in mind, ACCESS has drafted a comprehensive governance manual which will guide and secure the operation of the pool as individuals change. In addition to confirming the pools purpose/strategy and detailing governance structure the manual includes a Code of Conduct along with policies and processes for pool activities, communications and contract management. An outline of the ACCESS pool governance structure is set out below:



## 5. Work of the Pension Strategy Board & Investment Steering Committee

In addition to pooling, the following key issues were considered by the Board between 1 April 2017 and 31 March 2018:

### 2017 Interim Review

Members of the Board noted that All Local Government Pension Scheme Funds were required to have a full Actuarial Valuation every three years. The last such Valuation was as at 31 March 2016 and the next will be due at 31 March 2019.

Members of the Board were advised that all Funds were required to produce, consult on, and publish a Funding Strategy Statement (FSS). The Board had agreed the FSS at its meeting on 8 March 2017 and also commissioned from the Actuary an Interim Review the report of which showed that the funding level had increased from 89% to 93% in the 12 months to 31 March 2017.

Having considered the Interim Review report Members agreed that no changes be made to the Essex Pension Fund's Funding Strategy Statement.

### Investment Strategy



In tandem an asset liability study was commissioned and in light of its findings the ISC agreed in principle to a series of measures which – over the next two years – will see the level of equities within the portfolio reduce from the current target of 60% to 45%. The majority of the assets will be redeployed in alternatives which maintain equity like return objectives, but allow the Fund to diversify its allocation.

### **Digital Delivery: Employer Online and Member Online**

Members of the Board considered the new solution of online services available to both Essex Pension Fund Scheme Members and Employers, recent significant developments, the work undertaken by officers and the roll out plan for online services. The Board approved the general release of online services to all members and employers in line with the proposed roll out approach. Members authorised officers to make all necessary implementation arrangements and agreed the process of receiving progress reports on the distribution of online services on a quarterly basis within Annex A action 17 of the business plan.

### **Review of the Fund Objectives and Risks**

At the meeting of the Board on 18 December 2017 it was agreed that the Fund should carry out a review of its objectives and risks. It is a key element of good governance that the Fund has clearly stated and understood objectives. Clear objectives provide direction and focus and help officers and members of the Board and Investment Steering Committee (ISC) to prioritise their actions.

Clear objectives also allow the Fund to identify its risks ie those events which should they occur could prevent the Fund from achieving its objectives. Understanding risks allows informed decisions to be taken about how those risks can best be managed and mitigated.

The Fund's objectives were originally agreed by the PSB in December 2010 and are grouped into the following categories;

- Governance
- Investments
- Funding
- Administration
- Communication

Following consideration by the Investment Steering Committee and a full review of the objectives by the Fund's officers, actuary and independent governance and administration adviser, some changes to the objectives were suggested. The Board agreed to accept the changes to the Funds Objectives.

**Other areas considered were:**

- Reports on the work of the Essex Pension Fund Investment Steering Committee
- External Audit Programme of Work
- Reports from Internal Audit regarding the control environment of the Pension Fund and Administration
- Reports of the Pension Advisory Board
- Local Government Association (LGA) consultation on Academies
- Colleges Review
- Agreeing to a Fund Discretion on Voluntary Scheme Pays
- Consultation on Tier 3 Employers
- Academies Valuation Forum
- Annual Accounts
- Year-end returns 2017/18 Charging Policy
- Agreeing the timetable for review of the Governance Policy and Compliance Statement
- Review of the Administration Policy

## **6. Member Training**

There is a firm commitment to training and development, with a view to ensuring that Members are able to fulfil their roles effectively.

Details of Members' attendance at Essex Pension Fund Boards and Investment Steering Committee meetings and training events (internal and external) are monitored throughout the year and reviewed annually at the Strategy Board's July meeting.

Member training is predominately delivered within the Board meetings.

## **7. Three-Year Business Plan**

The Strategy Board has developed a 3-year Business Plan which provides a high level summary of key work streams and feeds into more detailed annual business plans.

Cllr Susan Barker  
 Chairman of the Essex Pension Strategy Board and of the ISC.  
 Portfolio holder for Culture, Communities and Customer  
 Essex County Council