



# PENSION BOARD

THURSDAY, 4 FEBRUARY 2016

10.00 AM CC2, COUNTY HALL, LEWES

MEMBERSHIP - Richard Harbord (Chair)  
Councillor Kevin Allen, Angie Embury, Sue McHugh,  
Councillor Brian Redman, Tony Watson and David Zwirek

## A G E N D A

- 1 Minutes (*Pages 3 - 8*)
- 2 Apologies for absence
- 3 Disclosure of interests
- 4 Pension Committee Agenda (*Pages 9 - 112*)
- 5 Polices of the administering authorities (*Pages 113 - 134*)
  - Conflicts of interest
  - Record keeping/meeting attendance
  - Data protection and freedom of information
- 6 East Sussex Pension Fund - CIPFA Benchmarking report (*Pages 135 - 164*)
- 7 Revised Communications Policy Statement 2015/16 (*Pages 165 - 172*)
- 8 Officers' Report - Business Operations (*Pages 173 - 180*)
  - Annual Benefit Statements
  - 2016 Valuation Preparation
  - KPI/Backlog
- 9 Officers' Report - General Update (*Pages 181 - 218*)
  - Guaranteed Minimum Pension (GMP) reconciliation
  - Public Sector Exit Payments
  - 2016 Valuation Preparation
- 10 Pension Board Forward Plan 2015/16 (*Pages 219 - 246*)
- 11 Any other business

PHILIP BAKER  
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27 January 2016

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## PENSION BOARD

MINUTES of a meeting of the Pension Board held at Council Chamber, County Hall, Lewes on 3 November 2015.

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PRESENT Richard Harbord (Chair), Councillor Kevin Allen, Angie Embury, Sue McHugh, Councillor Brian Redman and David Zwirek

ALSO PRESENT Marion Kelly, ESCC Chief Finance Officer; Ola Owolabi, Head of Accounts & Pensions; John Shepherd, Finance Manager (Pension Fund); Jason Bailey, SCC Pension Services Manager; Giles Rossington, Senior Democratic Services Adviser

### 1 MINUTES OF THE MEETING HELD ON 8 SEPTEMBER 2015

- 1.1 It was agreed that point 6.5 of the draft minutes should be amended from “Unison did not intend to appoint a substitute” to read “Unison does not intend to routinely send a substitute”.
- 1.2 Cllr Brian Redman (BR) thanked officers for circulating additional information on forecast administration costs (point 1.4 in the draft minutes). However he remained concerned that large sums of money were not spent on minimising discrepancies, when it might be more sensible to stretch some targets. Jason Bailey (JB) noted that the Local Government Association (LGA) was in discussions with the Treasury aimed at setting a national level of acceptable discrepancies. The Chair added that it was difficult to know what the significance of relaxing particular performance targets might be; it may be that the external auditors have a view on this issue.
- 1.3 Sue McHugh (SM) asked whether there was best practice available in terms of the role played by employer representatives on the Pension Board (in relation to points 4.4 and 4.5 in the draft minutes). The Chair noted the role played by the employers’ forum here. Members agreed it would be helpful if employer representatives were copied in to correspondence with employers, and employers were encouraged to use the employer representative as a conduit for communicating with the fund. MK agreed that officers would support this as well as continuing to monitor and disseminate emerging best practice. Ola Owolabi (OO) added that officers could also share with employers a link to Pension Board papers and minutes. In addition, a quarterly pensions newsletter is circulated amongst employers.
- 1.4 RESOLVED – that, with the inclusion of the amendment detailed at 1.1 above, the minutes be agreed as an accurate record of the meeting.

### 2 APOLOGIES FOR ABSENCE

- 2.1 Tony Watson sent his apologies.

### 3 DISCLOSURE OF INTERESTS

- 3.1 There were none.

## 4 PENSION COMMITTEE AGENDA

4.1 This item was introduced by Ola Owalabi (OO).

4.2 **Strategy Day** OO told the Board that the Pension Committee (PC) had held a successful Strategy Day in September. PC members received a number of presentations, discussed the Fund's investment strategy, and agreed the termination of the Fund's contract with Lazard and the re-allocation of the relevant holdings to other investment managers.

4.3 In response to a query from David Zwirek (DZ) as to why the funds managed by Lazard had not been transferred to Longview, given Longview's recent exceptional performance, OO told members that the PC had opted to move to funds with a lower risk profile than Longview, which is a very 'active' and hence relatively high risk investor. MK added that there were additional risks associated with over-investing in the current market leader, as markets operate in cycles and very high performance is rarely sustained over time.

4.4 Members discussed the policy of having a 'trigger point' which would require de-risking investments to be made should the Fund hit a pre-determined funding level (e.g. 85%). MK noted that the East Sussex Pension Scheme hit its trigger point last year and some de-risking was successfully undertaken.

4.5 Members discussed the decision to terminate the contract with Lazard, with BR commenting that the process seemed to have taken a very long time. OO told the Board that, although Lazard had been on 'watch' for a considerable period, it had only relatively recently been placed in the 'replace' category, and action to terminate following this re-classification had been relatively swift. The Chair remarked that replacing an investment manager was not a decision that should be taken lightly as there would always be considerable costs involved.

4.6 **Fossil Fuels** Cllr Kevin Allen (KA) informed members that a Notice of Motion proposing fossil fuel disinvestment had recently been debated at a Full Council meeting of Brighton & Hove City Council. The Notice of Motion was not passed, but the subject will clearly remain topical. DZ agreed, noting that there had been a good deal of local media focus on the issue in recent months. Angie Embury (AE) concurred, saying that this was an issue that some of her members have expressed concerns about, particularly in terms of investment in firms involved in fracking. MK told the Board that the Local Authority Pension Forum is very active in ethical and socially responsible investment, lobbying firms to act responsibly. RH added that one of the major difficulties in ethical investment lay in identifying major international firms that consistently and universally act in ethical ways.

4.7 **Fund Performance** MK told members that Schrodgers are now on 'watch', but this is due to recent changes in senior management not to the fund's performance.

4.8 **Re-procurement of Investment Consultancy and Actuarial Services** MK informed members that the council had tendered for this contract and had received a pleasing number of expressions of interests. The new contract will commence in January 16 which should give just enough time for the new contractor to arrange the triennial valuation. Replacing the actuary at this critical point was unavoidable; it would have been impossible to extend the current contract any further.

4.9 In response to a question from SM on what would happen if the valuation happened to be at a time when assets (e.g. equities) had suffered a temporary dip, MK told members that a smoothing process is employed to ensure that short term market fluctuations do not unduly influence the valuation.



4.10 **Risk Register** MK explained that it is the Board's role to monitor and suggest changes to the Risk Register.

4.11 DZ commented that he struggled to see how **risk 12: fees and charges of investment managers** could be rated as Green given the level of charges the Fund incurs. This risk ought to be Amber, not least so that PC members remain focused on the need to challenge excessive fees. Other Board members agreed with this approach. MK commented that this was a difficult risk to quantify, as there were no obvious actions to mitigate the risk that have not already been employed. BR added that recent Government moves to pool LGPS funds are clearly intended to address the problem of investment manager fees, and suggest that the Government sees little prospect of fees being reduced without pooling taking place.

4.12 The Chair questioned the Amber rating of **risk 5: custodian bank goes bust**, noting that this could create complex problems, particularly as the custodian does not necessarily hold individual pension scheme investments separately from those of other schemes. KA agreed, suggesting that impact score for this risk should be amended from 3 to 4, more accurately reflecting the consequences of the custodian failing even if the overall risk score remains at Amber.

4.13 The Chair proposed including an additional risk – that of an investment manager failing/going bust. This is by no means an incredible scenario (e.g. Barings), and would cause major and long term problems for the Fund.

4.14 SM queried the risk assessment relating to the triennial valuation. The Chair noted that the risk relating to this (**risk 8: assets not enough to meet liabilities**) was rated as Red even though it seemed relatively unlikely that the valuation would show a significantly worse position than under the current valuation. However, there was a pressing risk that employers would be unable to make significant additional contributions to the Fund, and this should be recorded as a separate risk – and potentially scored as Red, since it is both likely and bound to have a high impact. MK agreed that, should the valuation require significant increases in employer contributions it was very likely that some employers would not be in a position to pay. Employers have a statutory responsibility to fund the LGPS and would have to sell assets and could potentially go into liquidation as a consequence. It is uncertain under what circumstances the Government would back an LGPS should some of its non-local authority employers go into liquidation. BR added that there were particular risks here for parish councils, which typically have very few assets and therefore have little capacity to make higher contributions.

4.15 SM pointed out that **risk 16: communication with employers** would read better as "inadequate communication with employers"

4.16 RESOLVED – that the Pension Board proposes the following suggestions in relation to the draft Pension Fund Risk Register:

- **Risk 5 – custodian bank goes bust.** Amend impact score from 3 to 4 to reflect how difficult this scenario would be to deal with (overall risk score would remain Amber)
- Introduce a separate risk of **Investment Manager goes bust** (impact score will be high).
- **Risk 8 – assets not enough to meet liabilities.** Consider amending likelihood score down.
- Introduce a separate risk of **employers unable to pay increased contributions** (both likelihood and impact likely to be high).

- **Risk 12 – fees and charges of investment managers, actuary and investment adviser are excessive and not proportionate.** Consider amending overall risk to Amber (e.g. by increasing likelihood to 2)
- **Risk 16 – communication with employers.** Amend title of risk to “inadequate communication with employers.”

#### 5a OFFICERS' REPORT - BUSINESS OPERATIONS

5a.1 This item was introduced by Jason Bailey (JB). JB circulated details of September 2015 performance at the meeting – this information had not previously been available.

5a.2 JB noted that there were some additional Red scores in the September performance figures, but these have minimal risk implications.

5a.3 The service has ongoing recruitment issues – recently several candidates did not turn up for interview. Given the failure to recruit experienced pensions administrators, there may be a need to put out more generic recruitment adverts or to advertise for trainees. The service may also look at employing apprentices. These recruitment problems are not unique to East Sussex: many LGP schemes struggle to recruit experienced staff.

5a.4 In response to a question from DZ asking whether the Red performance areas represented long term performance concerns, JB told the Board that we have a long term improvement plan and that the current areas of underperformance will be remedied by plans to merge the various organisation databases over the next 12 months and apply process improvements.

5a.5 JB told members that the annual pension statement is currently being issued to members. This is later than the Government wanted, but very few schemes have found it possible to meet Government deadlines given the complexity of the transition to CARE. This is a one-off problem and will not be a factor in future years. Most scheme employers have now submitted data, and the 31 November deadline for the issuing of all statements should be met. Feedback on the format of this year's statement has been very positive.

5a.6 Recent changes to the annual allowance will impact on the highest earners and the number of employees affected will increase over time.

#### 5b OFFICERS' REPORT - GENERAL UPDATE

5b.1 This item was introduced by Ola Owolabi (OO)

5b.2 **MiFID** OO told members that the recently issued Markets in Financial Instruments Directive (MiFID) may impact upon the LGPS. Currently local government pension funds are classified as ‘professional clients’ of investment managers, essentially meaning that they are assumed to have a sophisticated understanding of investment risks. MiFID will change this default classification to that of ‘retail clients’ which will mean that investment managers will not be able to assume that clients are able to understand all aspects of investment risk, and will consequently be restricted in the types of investment opportunity they can offer.. This may make the LGPS market less attractive to fund managers. However, it seems that schemes can elect to assume professional client status, so the impact may in fact be limited.

5b.3 **Employers' Forum** MK outlined plans for this year's Employers' Forum. It is hoped to attract as many employers as possible. In past years attendance has been good, with at least 40 employer representatives attending. The Pension Board will have a greater input into planning future forums, but timings have meant that this year's event has been modelled on past practice.

5b.4 **Pooling Investments** OO explained the current understanding of Government plans to require LGPS funds to work more closely together. It appears that the Government will not seek fund mergers, and will not mandate only passive investment. However, it seems likely that local decisions will be permitted in terms of asset class allocation, but not in terms of choosing fund managers. Pooling of investments will be required, and there will be a push to increase LGPS investment in UK infrastructure.

5b.5 It is still unclear what infrastructure investment is intended to mean, or how investment in infrastructure projects will produce short term returns equivalent to investing in equities etc. Given that lower LGPS returns are likely to trigger increasing employer contributions, it is unlikely that employers will be content with a scheme that requires investment in low returning infrastructure projects in preference to investments which offer higher rates of return. It seems unfair for employers to retain liability for the LGPS but to be deprived of the ability to make investment choices. MK noted that the Government may be open to local authority ideas on increasing investment in UK infrastructure.

5b.6 It seems unlikely that there will be formal consultation on the Government's plans at this point, although there presumably will be consultation should there be a move to change pension regulations – for example to allow funds to invest heavily in a single sector (e.g. infrastructure) where the current regulations insist that investment is diversified in order to manage risk.

5b.7 The Government's intentions in relation to pooling are also unclear. There are a number of pooling schemes already operating, but with the possible exceptions of the schemes operated by London councils and by Welsh authorities, it seems unlikely that any of these schemes would be granted the status of regional pooled funds – unless they attract far more buy-in than any of them have currently achieved.

5b.8 The timescale for pooling is three years, although some elements of the plans (e.g. around infrastructure investment) are likely to take much longer. In any case, the timescales for schemes to divest assets can be very lengthy, and establishing complex joint governance arrangements is very time-consuming.

5b.9 SM commented that this seems like a massive upheaval, particularly given how well the current system operates. MK noted that local authorities had been assiduous in making this point to Government.

5b.10 BR commented that infrastructure investment has been looked at before at a local level, but that it proved impossible to reconcile it with the fiduciary duty to maximise investment returns. The Chair agreed, noting that London councils had previously explored LGPS funding for housing investment, but had not been able to make a case for it.

## 6 PENSION BOARD FORWARD PLAN 2015/16

6.1 The Forward Plan was noted.

## 7 ANY OTHER BUSINESS

7.1 There was none.

(The meeting ended at 12.15 pm)

CHAIR

Report to: **Pension Board**  
Date: **4 February 2016**  
By: **Chief Operating Officer**  
Title: **Pension Committee Agenda**  
Purpose: **To consider and comment on the 8 February Pension Committee agenda**

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## **RECOMMENDATIONS**

**Pension Board is recommended to consider and comment on 8 February 2016 Pension Committee items.**

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### **1. Background**

- 1.1 The agenda items for 8 February 2016 Pension Committee are here presented to the Pension Board for information. Where possible the relevant reports are also attached.
- 1.2 If Board members have any specific comments on any of these reports that they wish to be communicated to the Pension Committee, then they can do so. In any case, the draft Pension Board minutes will be circulated to Pension Committee members at or in advance of the forthcoming committee meeting.

### **3. Conclusion and recommendation**

- 3.1 Pension Board members are requested to note the information contained in these reports, and to make any comments they may choose.

KEVIN FOSTER  
Chief Operating Officer

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**PENSION COMMITTEE**

MONDAY, 8 FEBRUARY 2016

10.30 AM COMMITTEE ROOM, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Richard Stogdon (Chair)  
Councillors: Frank Carstairs, Godfrey Daniel, Bob Standley and David Tutt

**A G E N D A**

- 1 Minutes
- 2 Apologies for absence
- 3 Disclosure of Interests  
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items  
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Board Minutes
- 6 Fund Performance – Schroder (Property)
- 7 Fund Performance – M&G
- 8 Quarterly Performance Report – Hymans Robertson
- 9 Pensions Administration system - Business Case **(to follow)**
- 10 LGPS Investment Pooling
- 11 Revised Communications Policy Statement 2015/16
- 12 Pension Fund Budget Report – 2016/17
- 13 Environmental, Social, Governance and Investment Strategy
- 14a Officers' Report - Business Operations
- 14b Officers' Report - General Update
- 15 Pension Committee Work Programme/Training
- 16 Any other items previously notified under agenda item 4

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29 January 2016

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# East Sussex Pension Fund

## Schroder Real Estate Capital Partners

Representing Schroders:



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**8 February 2016**



**Schroders**

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# Contents

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- Business overview
- Market overview
- Portfolio
  - Overview
  - Performance to Q4 2015
  - Investment activity
  - EGMs
- Strategy
- Appendices

Page 14

# Business overview



# Business overview

## Schroder Real Estate Capital Partners

- Managed indirect real estate mandates since 1997
- £3.5 billion under management as at 31 December 2015
- £503 million traded in 2015, c. 23% via the secondary market
- Average purchase cost over five years +0.91% (to December 2015)
- 23 segregated clients
- Two closed-ended continental European funds
- Two open-ended UK funds
- Six Schroder RECaP Partnerships

Page 16



Source: Schroders, December 2015.

# Business overview

## Schroder Real Estate Capital Partners Team

### Schroder Real Estate Capital Partners Team

Team (industry/Schroders experience)	Position	Responsibility
Neil Turner (21 years/10 years)	Head of Indirect Investment and Research	Business management, portfolio management & strategy
Graeme Rutter (21 years/8 years)	Head of SRECaP	Business management, portfolio management & strategy
Patrick Bone (10 years/8 years)	Portfolio Manager	Portfolio management & strategy, fund monitoring
Confidential** (15 years/0 years)	Portfolio Manager	Portfolio management & strategy, fund monitoring
Nick Prince (17 years/0 years)	Senior Fund Analyst	Fund monitoring & analysis, portfolio modelling, risk analysis
Alice Russell (0 years/0 years)	Fund Analyst	Fund monitoring & analysis, portfolio modelling, risk analysis
Marsha Reid (25 years/20 years)*	Fund Manager Assistant	Trade processing and risk monitoring
Jagjeet Kaur Saini (4 years/4 years)*	Fund Manager Assistant	Trade processing and risk monitoring

Source: Schroders, January 2016. Numbers in brackets indicate years of experience/number of years with Schroders

\* Real Estate Investment Support. \*\* Expected to join in April 2016.

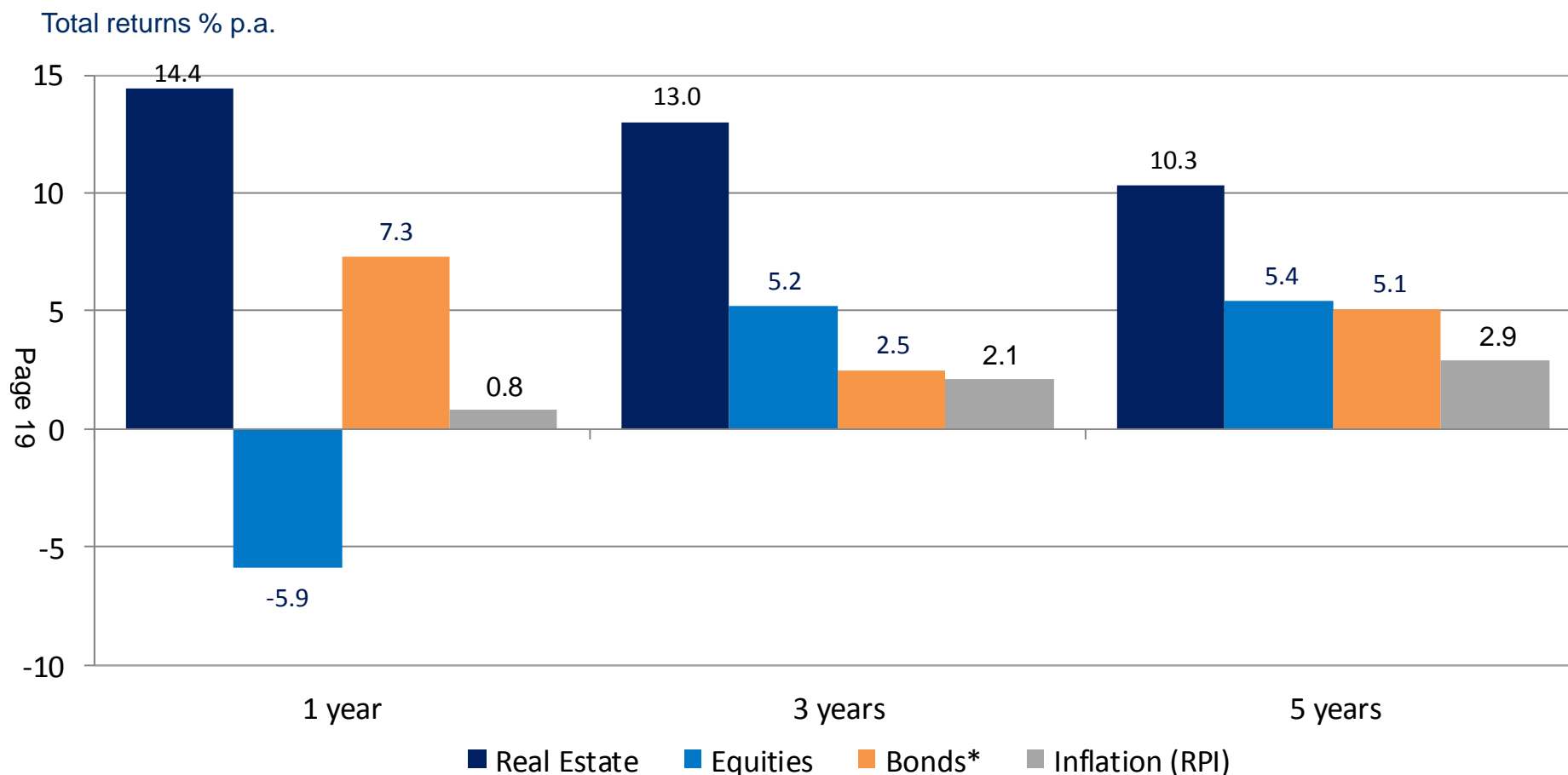
# Market overview



**Schroders**

# Market overview - Performance of UK assets to Q3 2015

## Strong returns from UK commercial real estate



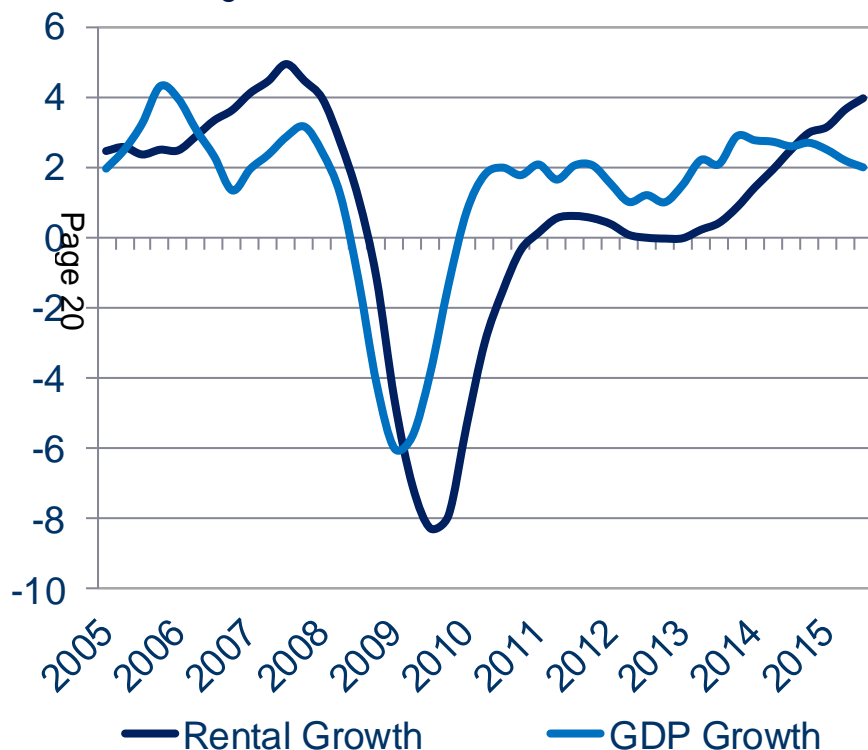
Source: IPD Quarterly ,Index, MSCI., JP Morgan 7-10 year bonds. November 2015.

# Market overview - Rental value growth

Strong occupier demand is lifting office and industrial rents across the UK

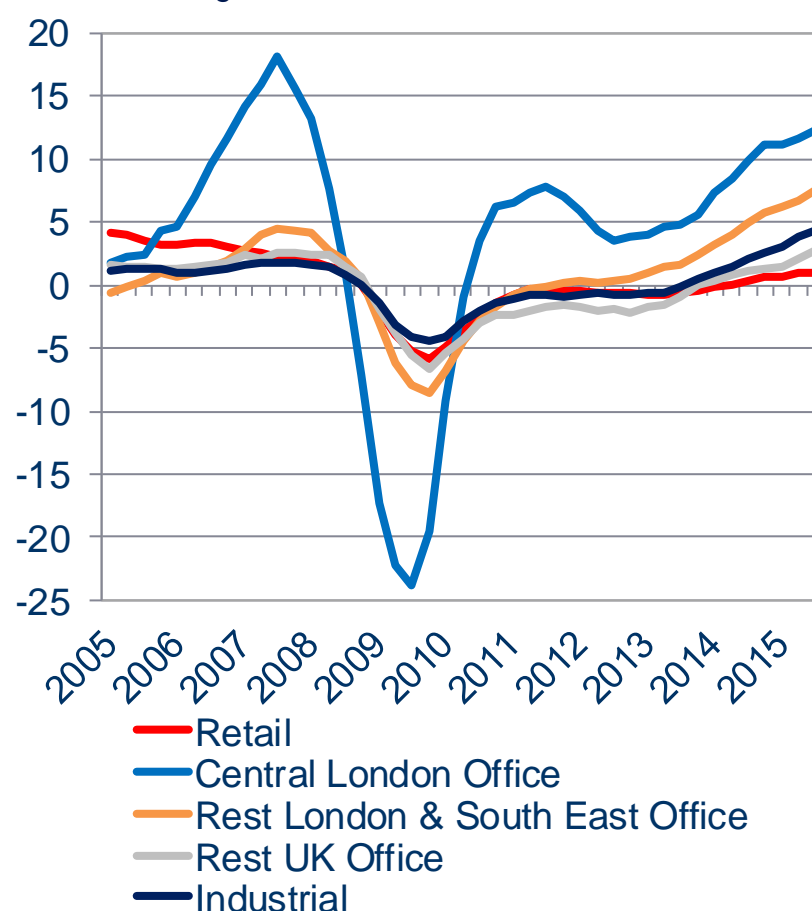
## GDP and rental growth

Annual change %



## Rental value growth by sector

Annual change %

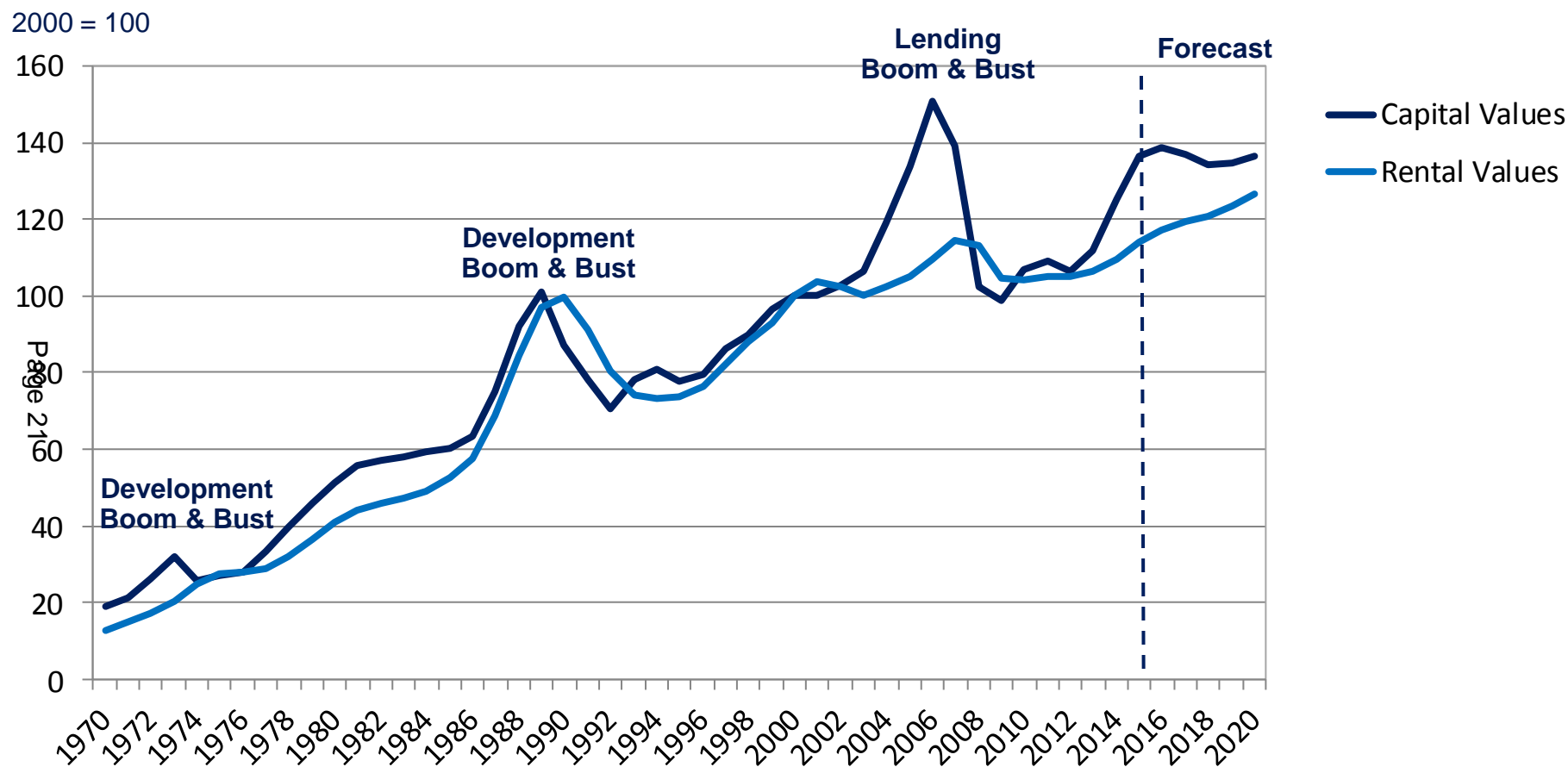


Source: IPD Quarterly Index, ONS. December 2015.



# Market overview – Are we at the top of a cycle?

We expect a period where rents catch up with capital values

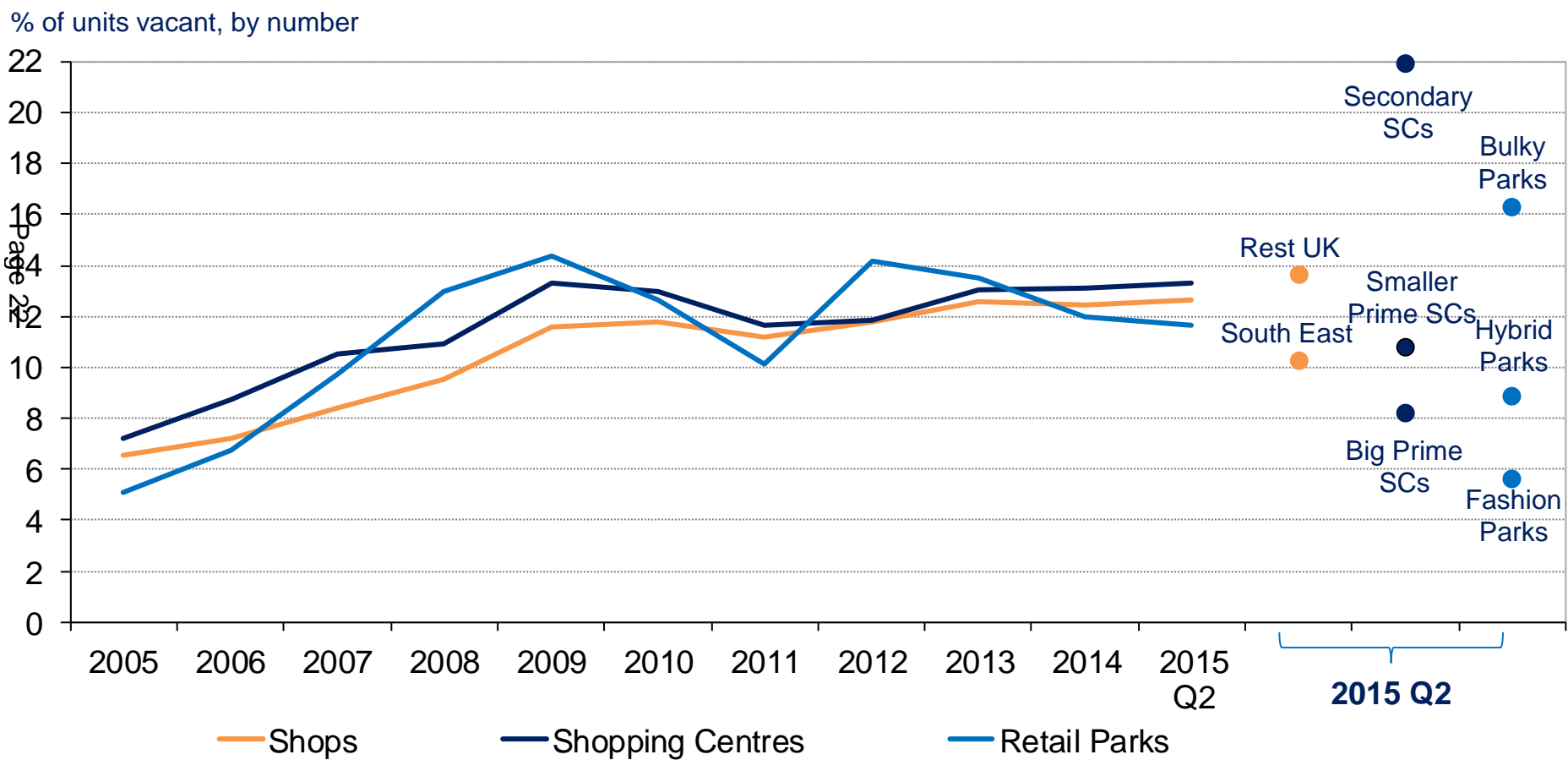


Source: IPD Annual Index, 1970-2014. 2015 -2020 figures are Schroders forecasts.

Note. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts. Please see Important Information regarding forecasts.

# Retail vacancy rates

Modest improvement in retail parks, but retail sector remains polarised



Source: PMA. August 2015.

# Central London Office supply pipeline

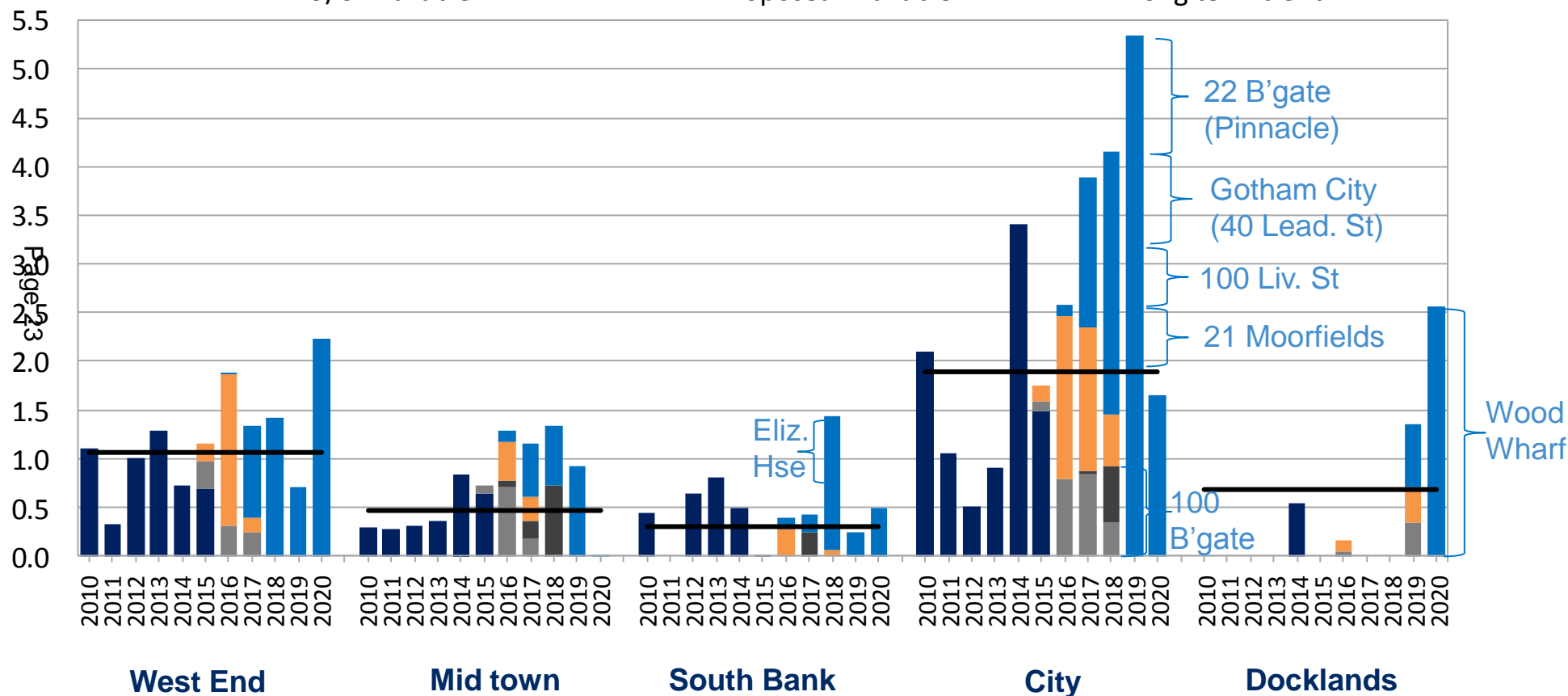
Building should be modest, except in City which will see several new towers

New office space  
Million square feet

Completed  
U/C Available

U/C Let/Under Offer  
Proposed Available

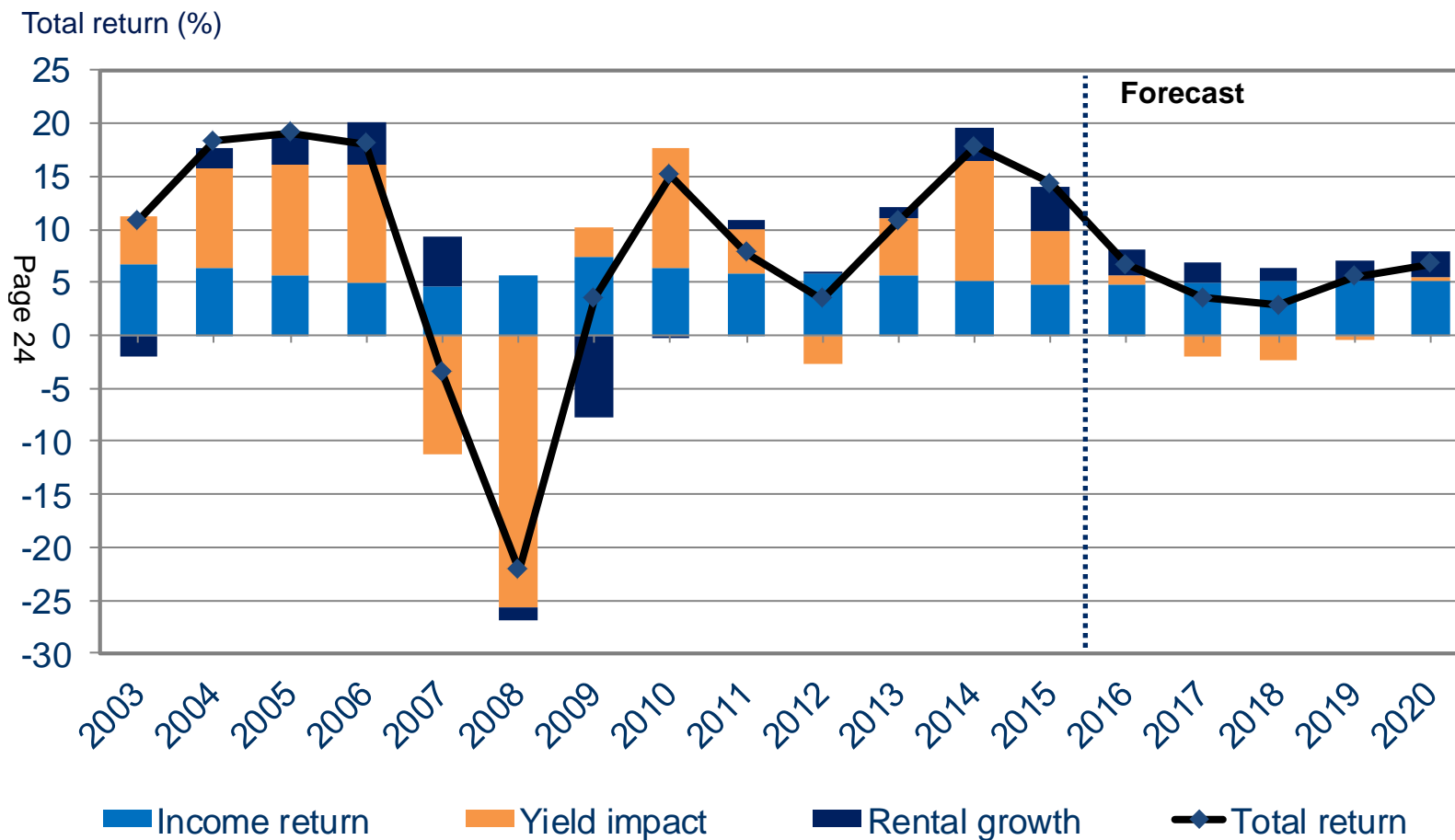
Proposed Let/ Under Offer  
Long term trend



Source: CBRE, Schroders. October 2015.

# UK commercial real estate market

Attractive future performance, underpinned by income return of 5%.



Source: IPD, Schroders. December 2015. Note the forecasts should be regarded as illustrative of trends. There are two key assumptions a) the UK economy continues to grow steadily and b) the UK votes to stay in the EU. Actual figures will differ from forecasts. Please see Important Information regarding forecasts.

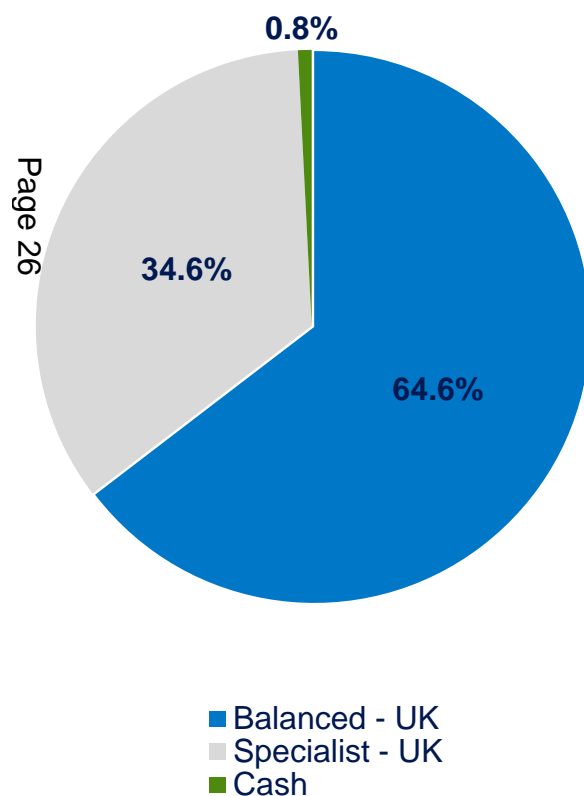
# Portfolio



# Portfolio - Overview

East Sussex Pension Fund, 31 December 2015

## Breakdown by style and region



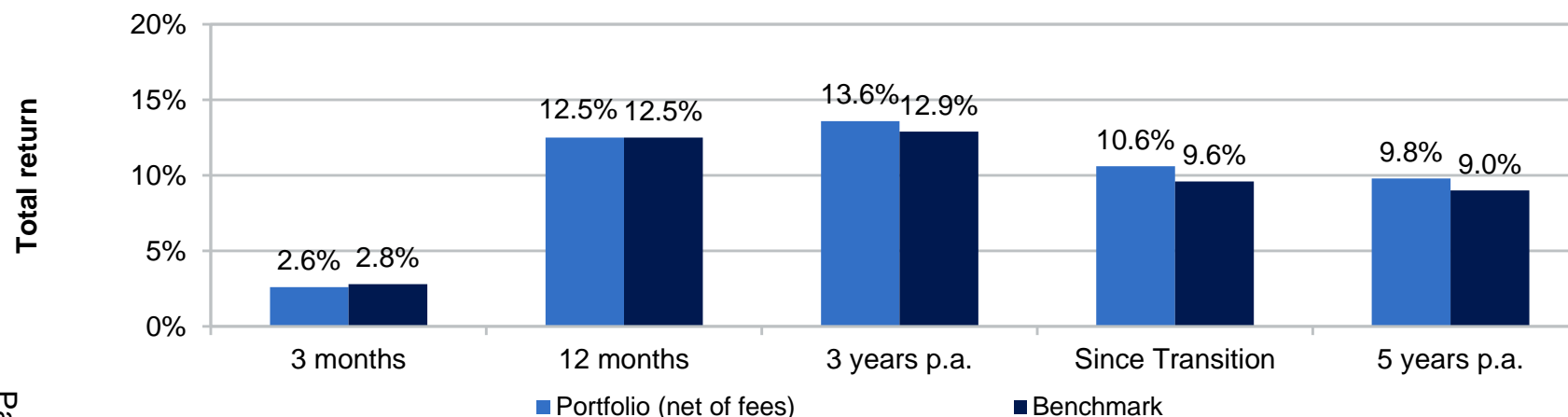
## Portfolio statistics

Portfolio valuation	£329,112,045
Number of investments	20 UK
Portfolio cash	£2,790,270
Portfolio cash (30 Sept 2015)	£13,851,192
Portfolio undrawn commitments	£2,092,433
Portfolio cash (% of NAV)	0.9%
Portfolio cash net of all commitments	£697,837
Portfolio cash net of all commitments (% of NAV)	0.2%

Source: Schroders, 31 December 2015

# Portfolio - Performance to Q4 2015

## Portfolio total returns versus benchmark, 31 December 2015



Page 27

### Objective

To outperform the Benchmark<sup>1</sup> by 0.75% net of fees over three year rolling periods

### Key messages

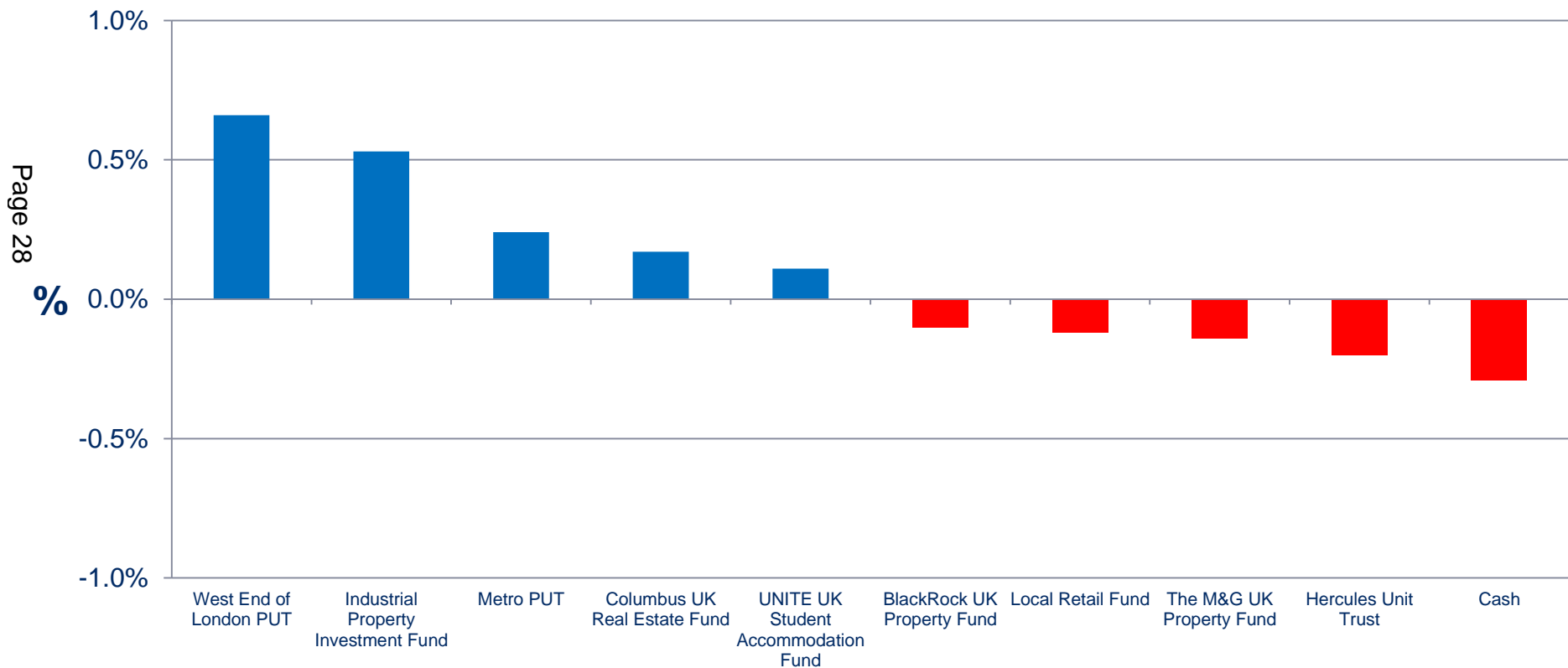
- Strong absolute returns.
- Short term performance is impacted by cash drag / transaction costs, medium and long term outperformance
- Central London offices and industrials are the strongest performing sectors, retail continues to dilute relative returns

Source: Schroders, 31 December 2015. 1 Benchmark is AREF/IPD Quarterly Property Fund Indices - All Balanced Funds (Weighted Average).

# Portfolio - Performance to Q4 2015

## Performance attribution, three years to 31 December 2015

Total return attribution relative to benchmark\* by top and bottom five contributors



\*Benchmark is AREF/IPD Quarterly Property Fund Indices All Balanced Funds Weighted Average. Attribution is presented gross of fees.  
Source: Schroders and AREF/IPD Quarterly Property Fund Indices, 31 December 2015. Past Performance is not a guide to future performance and may not be repeated.  
Please refer to the Important Information at the back of this document regarding past performance.



# Portfolio – Investment activity

## Q4 2015 purchases

### Industrial Property Investment Fund

- Circa £3.7m investment
- Sector specialist fund investing mainly in multi-let industrials in south east England
- Increasing exposure to the industrial sector



Festival Place, Basildon

Page 29



Liberty Industrial Park, Bristol

### Multi-Let Industrial Property Unit Trust

- Circa £0.6m investment, remaining circa £0.4m commitment
- Sector specialist fund investing in smaller lot size multi-let industrials
- Increasing exposure to the industrial sector

Source: Schroders, 31 December 2015

# Portfolio – Investment activity

## Q4 2015 purchases

### Regional Office Property Unit Trust

- Circa £1.1m investment, remaining circa £1.7m commitment
- Sector specialist fund investing in smaller lot size regional offices
- Increasing exposure to the regional office sector

Page 30



Aztec Centre, Aztec West Business Park, Bristol



Abbey View, St Albans

### Threadneedle Property Unit Trust

- Circa £9.2m investment
- Balanced fund investing across sectors with a generous distribution yield
- Increasing exposure to higher yielding core real estate in preferred sectors

Source: Schroders, 31 December 2015

# Portfolio – Investment activity

## Q4 2015 sales / returns of capital

### Columbus UK Real Estate Fund

- Circa £0.5m disinvestment
- Return of capital following asset sales from this opportunistic fund
- Equity continues to be returned as the fund life moves towards expiry



AMF Wallgate, Wigan

Page 31



Churchill Square, Brighton

### Standard Life Investments UK Shopping Centre Trust

- Circa £0.9m disinvestment
- Final redemption proceeds from this specialist shopping centre fund
- Reducing exposure to the retail sector

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# Portfolio – EGMs

## Imminent votes on Schroder managed funds

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### **Hercules Unit Trust**

- Change of manager and change to reporting requirements

### **Mayfair Capital Property Unit Trust**

- Reduction in overall fee and minor trust amendments

### **Schroder Real Estate Real Income Fund**

- Change to investment restrictions and minor trust amendments

**As these funds are managed by Schroders we will take your instructions on how to vote to avoid any potential conflicts of interest**

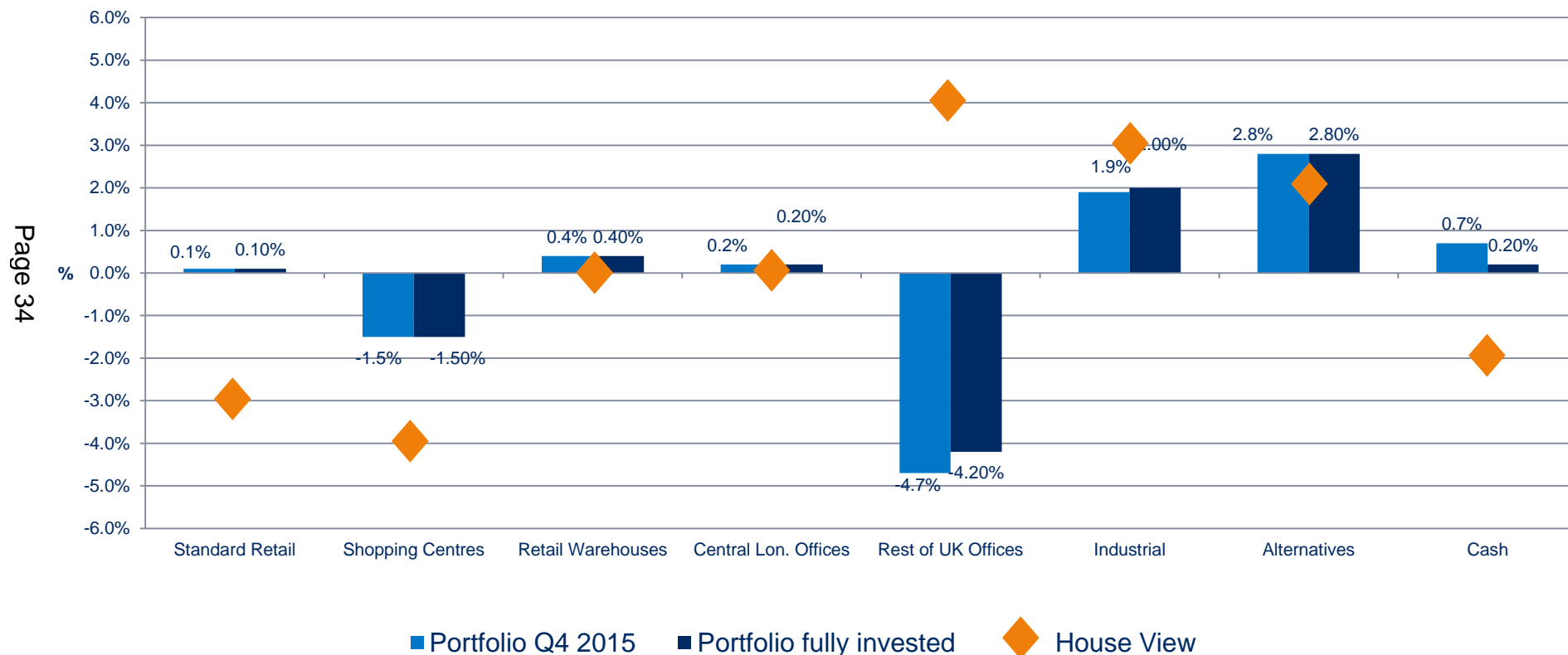
# Strategy



# Strategy

## Sector weightings

### Sector weightings relative to benchmark\*



Data subject to rounding. \*Benchmark AREF/IPD UK Quarterly Property Fund Indices – All Balanced Funds Weighted Average.  
Source: Schroders, IPD, 31 December 2015.

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# Strategy

## Summary

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- High cash position has been successfully deployed in Q4.
- Proceeds from central London office and shopping centre fund sales plus distributions from opportunity funds have been allocated to regional offices and multi-let industrials.
- Accumulating income and capital distributions will be re-invested into preferred sectors and / or balanced funds.

# Appendices





# Curriculum vitae

## Graeme Rutter, MRICS – Head of Schroder Real Estate Capital Partners

- Twenty one years investment experience
  - Joined Schroders in 2007
  - Previously Fund Manager responsible for Morley (now Aviva) Fund Management's property multi-manager team
  - 1998-2004 Director, Investment Agency, Savills
  - Commenced his career at Weatherall Green & Smith, specialising in valuation, in 1994
  - Member of the Royal Institution of Chartered Surveyors (MRICS), holder of the IMC and a corporate finance representative under the SFA
- Chairman of the Association of Real Estate Funds (AREF) Investor Committee; Chairman of the Investment Property Forum (IPF) Indirects Working Group
- BSc (Hons) Geography University of Bristol, Diploma in Land Economy (Commendation) University of Aberdeen



## Lyndon Bolton – Client Director

- Client Director in UK Institutional Sales and Client Service team. Executive Director 2001. Founder member of UK Account Management Team in January 2000. Director 1998. Joined Schroders in 1994 as Assistant Director, Head of Pooled Funds Account Management Team
- GT Management, 1990-1994, Head of UK Institutional Marketing and Client Service. Putnam International Advisors Ltd, 1988-1990, Director of European Marketing. Baillie Gifford & Co. Ltd, 1985-1988, Marketing Director. Investment career commenced in 1985
- MA (Hons) in Mediaeval History, University of St. Andrews



Source: Schroders, 31 December 2015

# Important information

Participation in the Schroder Real Estate Capital Partners service may involve investment in various asset classes including property equity and collective investment schemes ("Funds") within the meaning of Section 235 of the Financial Services and Markets Act 2000 ("FSMA"). Most of these Funds are not authorised unit trust schemes, OEICs or recognised schemes within the meaning of the FSMA and therefore constitute unregulated collective investment schemes. The Schroder UK Property Fund is authorised by the Financial Conduct Authority (the "FCA") as a Qualified Investor Scheme ("QIS"). Only investors that meet the requirements for eligibility to invest in a QIS, as specified in COLL 8, Annex 1, of the FCA's Handbook may invest in Schroder UK Property Fund

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**East Sussex Pension Fund**  
**Mike Thomas and David Parsons**  
**8 February 2016**  
**A PRUDENTIAL Company**



# East Sussex Pension Fund

## Performance and valuations as at 31 December 2015

### Corporate bond mandate

Portfolio	Current investment value	Performance from 01/01/1997
East Sussex Pension Fund	£107,885,847.40	7.82%

### Multi-Asset Credit mandate

Portfolio	Current investment value	Performance from 04/01/2010
East Sussex Pension Fund Alpha Opportunities Fund Investment	£67,227,113.24	3.93%

# East Sussex Pension Fund

## Corporate bond allocation

### Corporate bond mandate

- **Benchmark:** 50% - iBoxx Sterling Non-Gilts Over 15 Year Index  
50% - iBoxx Sterling Non-Gilts Index
- **Objective:** M&G's objective in managing the assets of your fund is to outperform the above benchmark by 0.75% per annum, net of fees, assessed over rolling three year periods.

### Multi-Asset Credit mandate

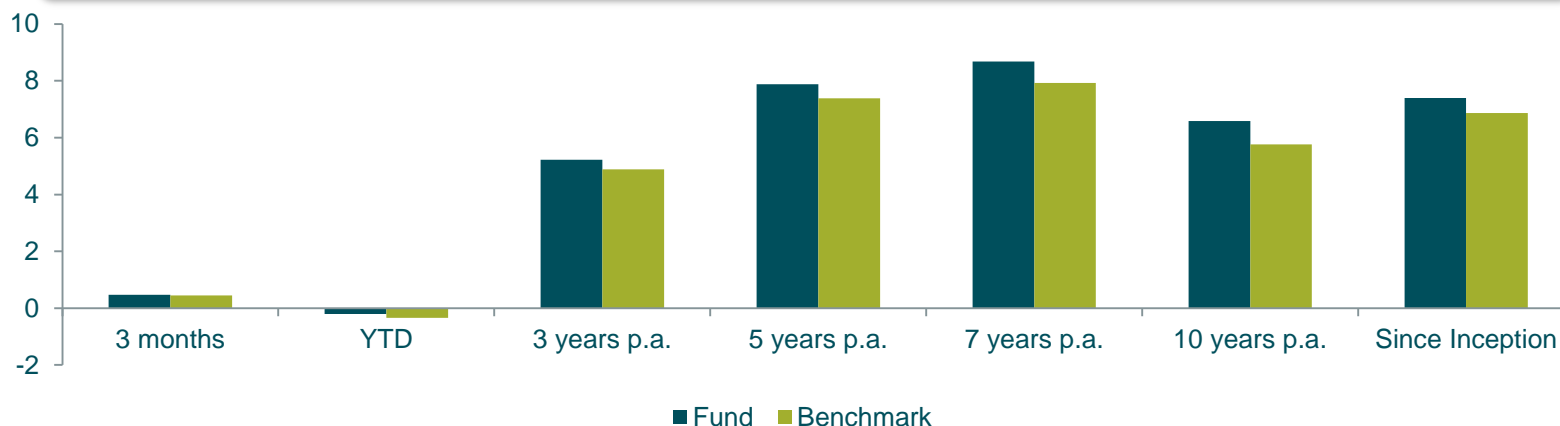
- **Objective:** M&G's objective in managing the assets of the Alpha Opportunities Fund is to outperform LIBOR by 3-5% over a cycle.

# Investment performance and attribution

# East Sussex Pension Fund

## A strong and consistent track record

### Annualised gross returns to 31 December 2015 (%)



### Discrete annual gross returns (%)

Gross returns to 31 December 2015	3 months (%)	YTD (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since inception (% p.a.)
Portfolio	0.47	-0.21	5.22	7.88	8.68	6.59	7.39
Benchmark	0.45	-0.34	4.88	7.38	7.92	5.76	6.87
Difference	+0.02	+0.13	+0.34	+0.50	+0.76	+0.83	+0.52

# East Sussex Pension Fund

## Q4 attribution

Page 44

Attribution	Q4 2014 (%)
<b>Corporate sector selection</b>	<b>+0.14</b>
Overweight US Dollar credit	-0.07
Overweight Financials	+0.12
Underweight Supranationals	+0.09
<b>Corporate stock selection</b>	<b>-0.04</b>
<b>Duration</b>	<b>0.00</b>
<b>Bid/offer spread widening/tightening</b>	<b>-0.08</b>
<b>Total</b>	<b>0.02</b>

### Corporate Bond Portfolio

- Financial holdings outperformed during the quarter, therefore our overweight position contributed positively to the performance of the fund.
- As credit spreads widened during the quarter, particularly in USD credit, the fund's overweight position in USD credit relative to the benchmark had a negative impact on performance.
- The fund also benefitted from being underweight supranational
- In terms of stock selection, commodity exposed holdings (such as Freeport Mc-Moran) were the largest detractors to performance.
- The long dated fund held a marginal underweight position in interest rate duration relative to the index, this did not contribute materially to returns.
- Long dated Bid/Offer spreads tightened over the quarter leading to a negative contribution to performance for the fund.



# Corporate Bond Allocation

# M&G All Stocks Corporate Bond Fund

## Fund profile

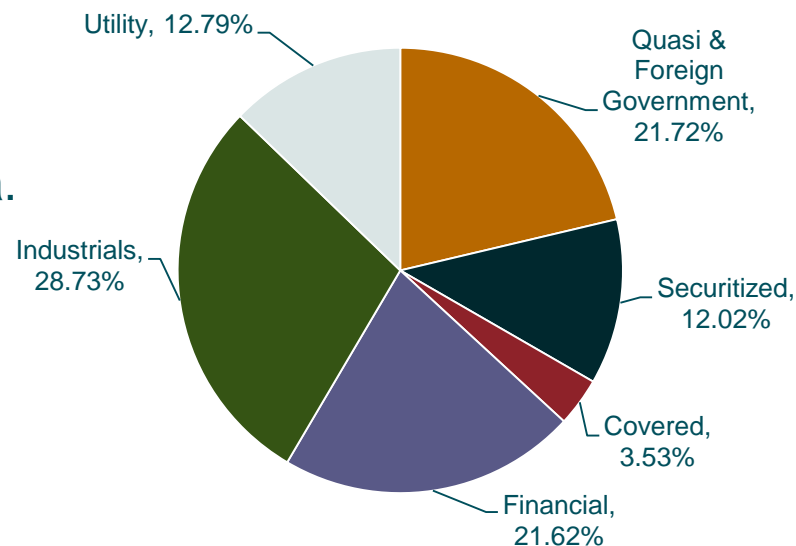
- Invests predominantly in high quality corporate debt
- Objective is benchmark plus 0.8% gross p.a. over rolling 3 years

Page 46

Benchmark is the iBoxx £ Non-gilts Index

- May hold gilts and non sterling bonds (hedged)
- Maximum 10% exposure to high yield bonds, no active currency exposure
- Use of derivatives permitted for efficient portfolio management
- Duration years 7.71, Yield 4.05%

**iBoxx Sterling Non-Gilt Index (%)**



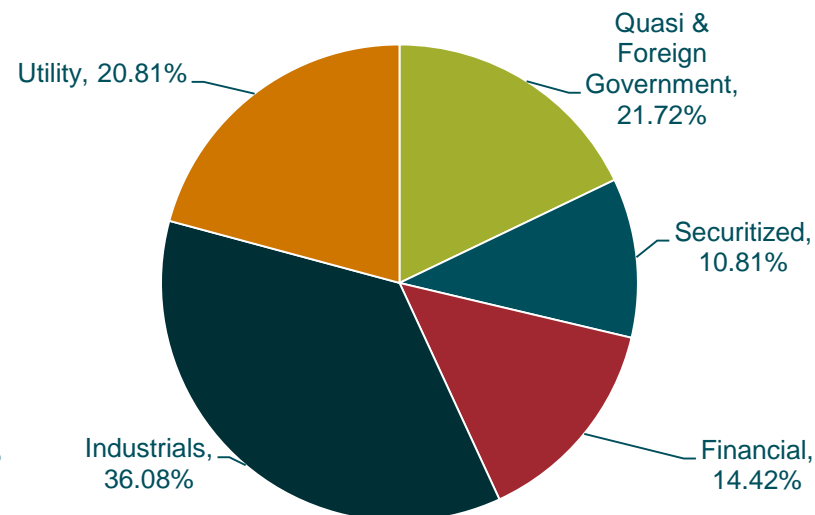
Rating Grade	Benchmark Index (%)
AAA	17.84
AA	17.91
A	26.93
BBB	37.10

# M&G Long Dated Corporate Bond Fund

## Fund profile

- Invests in high quality sterling corporate bonds with 15 years + to maturity
- Benchmark: iBoxx >15 year £ non-gilt
- Objective to outperform by 0.80%
- Maximum 10% exposure to High Yield Bonds
- Overseas bonds permitted on a fully hedged basis
- Use of derivatives permitted for efficient portfolio management
- Current size: £1,160 million
- Fund yield: 4.19% vs. Benchmark yield 3.92% (semi annual)
- Fund duration: 13.87 years vs. Benchmark duration 13.92 years (semi annual)

## iBoxx Sterling Over 15 year Non Gilts Index (%)

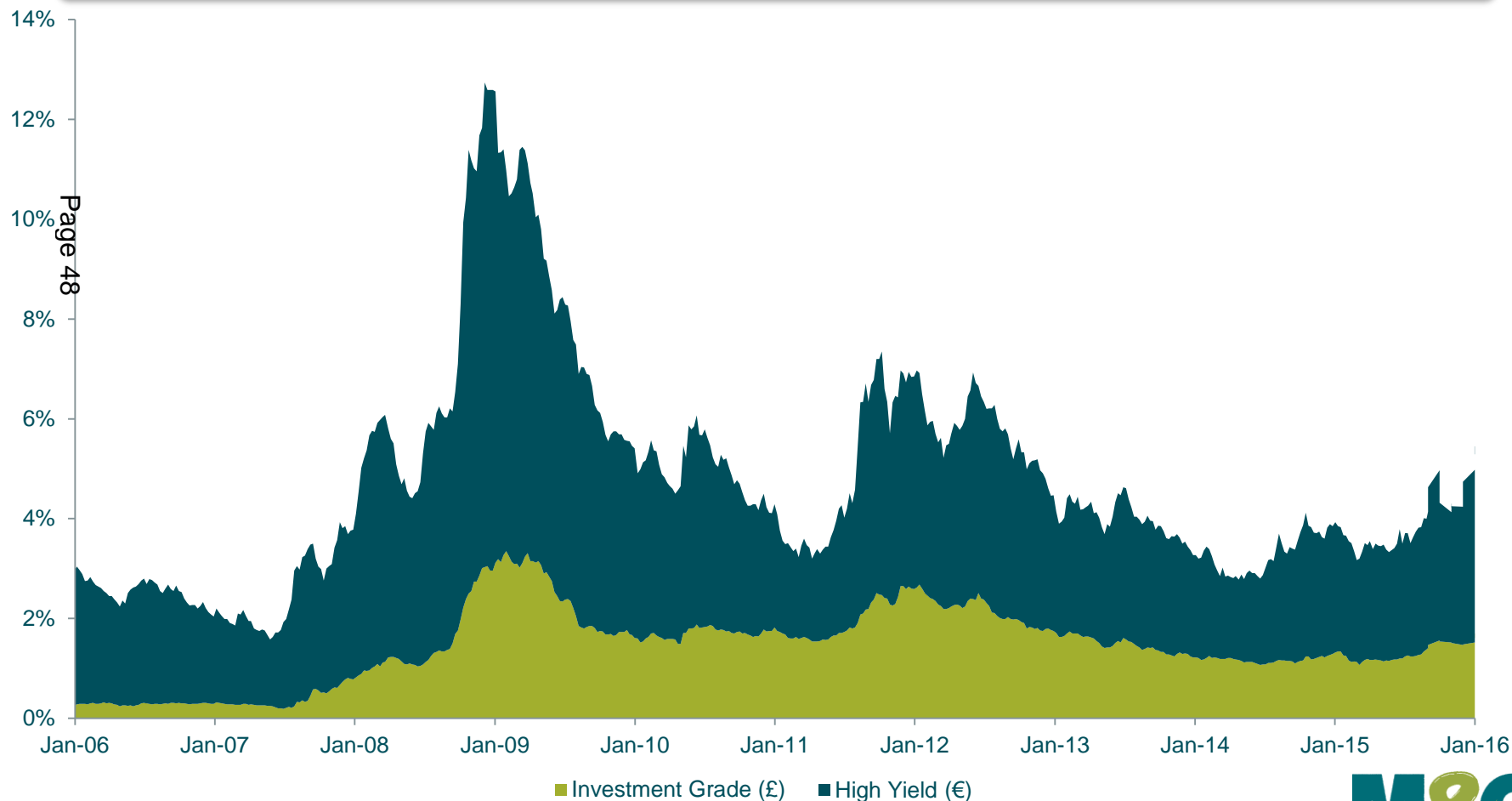


Rating Grade	Benchmark Index (%)
AAA	11.63
AA	21.48
A	37.70
BBB	29.20

# Corporate bond market spreads

Market valuations fully reflect the positive liquidity backdrop

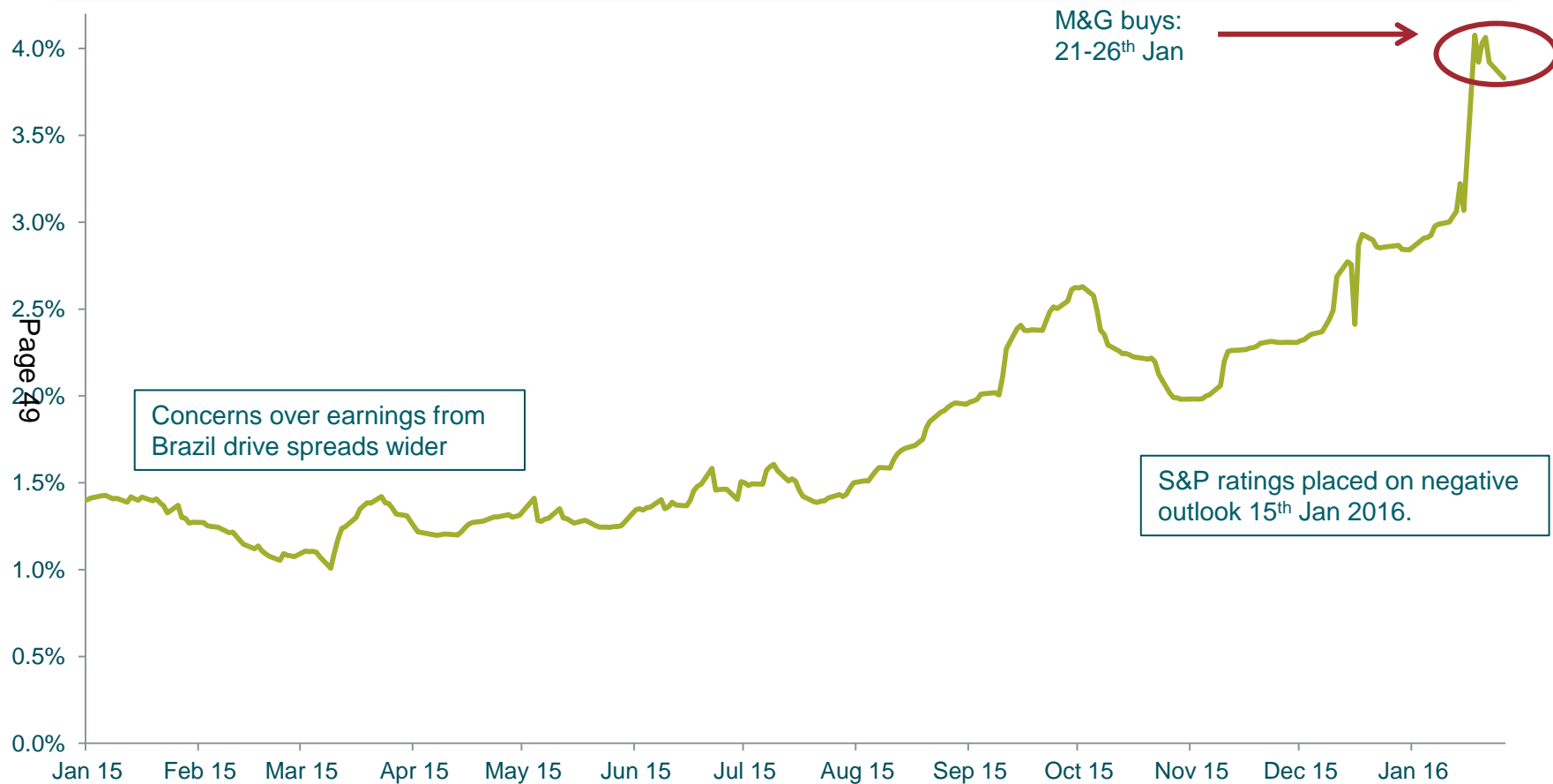
£ investment grade and € high yield (spread)



# Issuer selection example – fundamental value

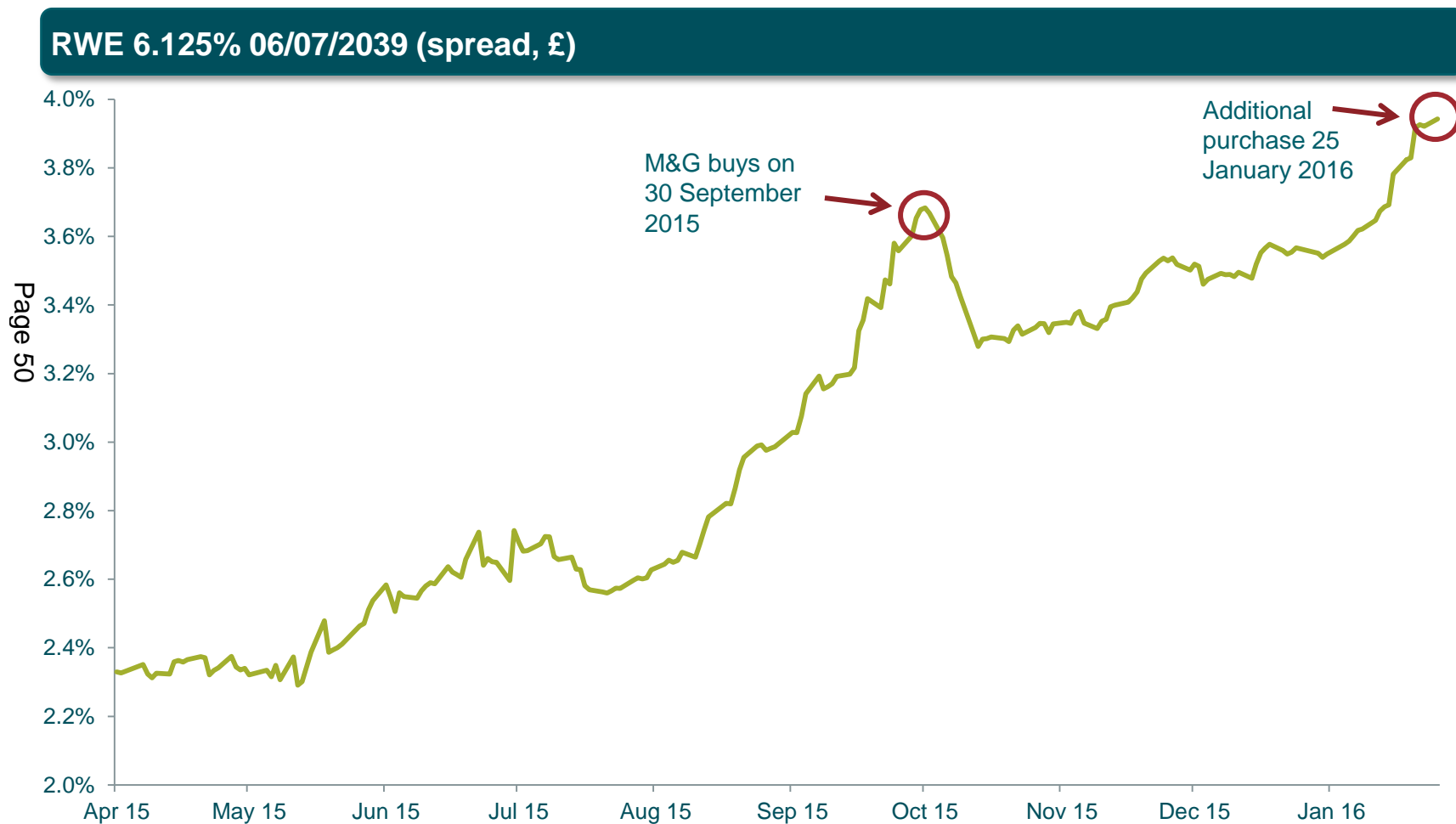
## Market not valuing bond structure or risks appropriately

Casino Guichard 2.798% 05/08/2026 (spread, €) – All Stocks Corporate Bond Fund



# Issuer selection example – fundamental value

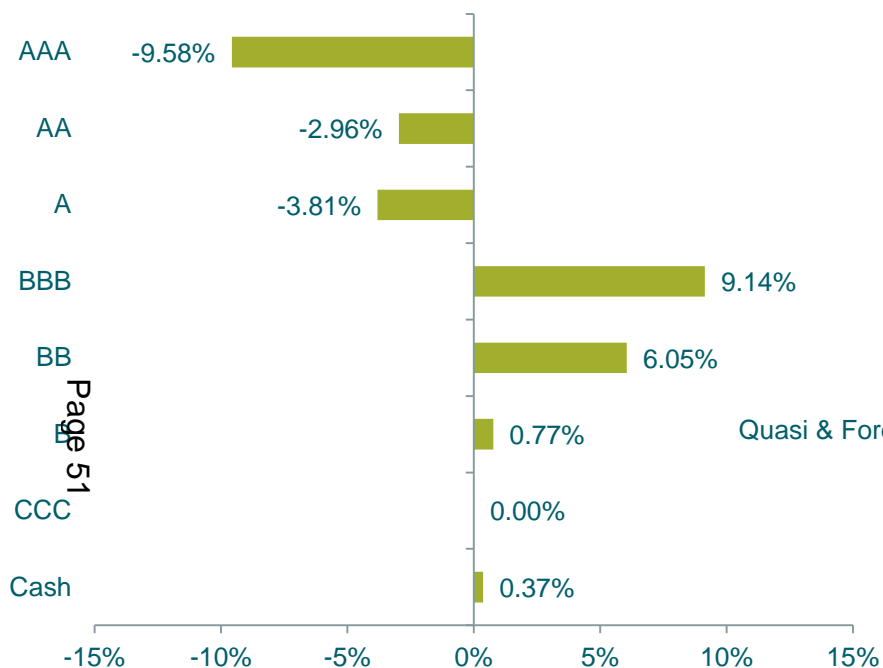
Where credit fundamentals are not reflected in the credit spread



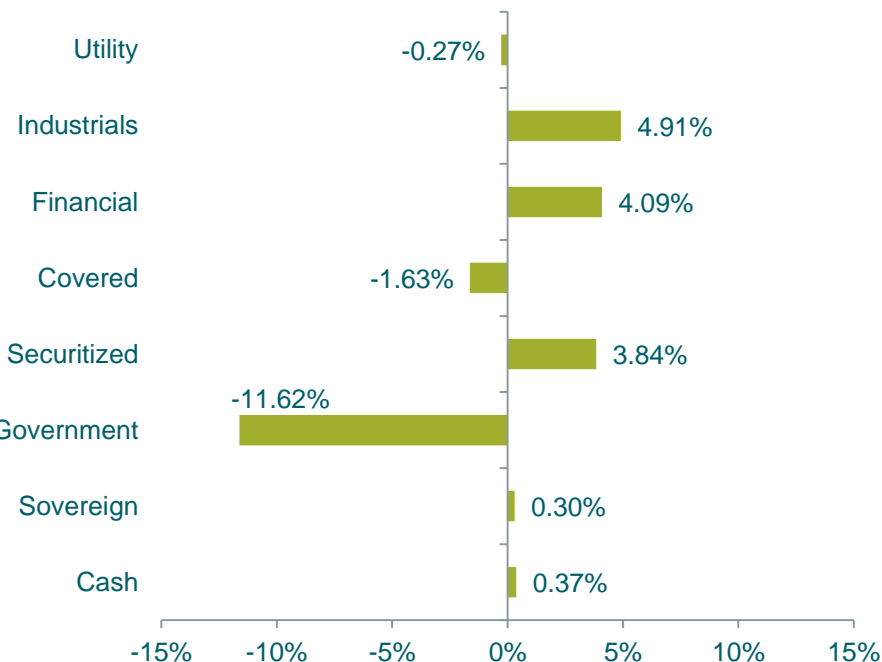
# M&G All Stocks Corporate Bond Fund

## Current fund risk positions vs benchmark

### Credit ratings



### Sector

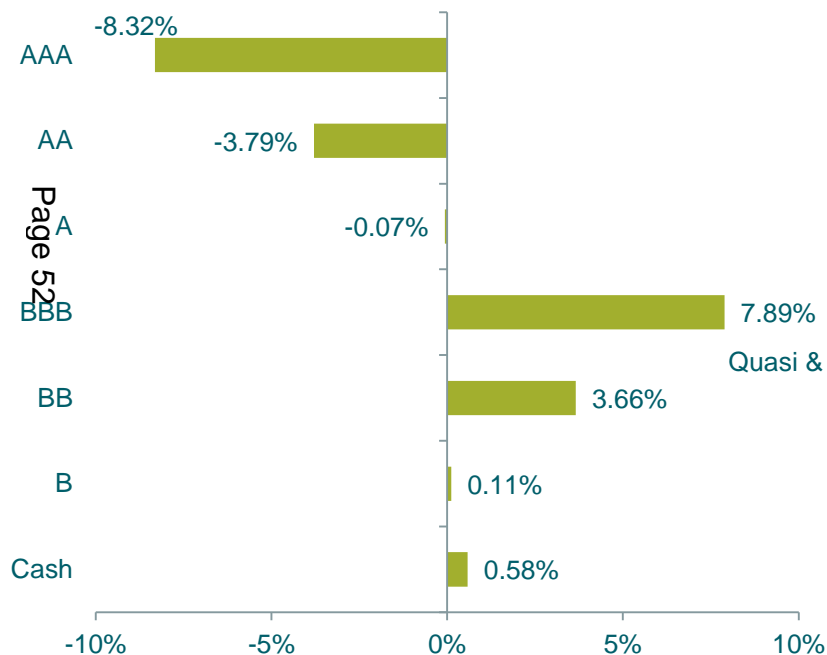


	Fund	Benchmark
Number of positions	486	1,014
Number of issuers	272	371
Average Credit Rating	A-	A
Running Yield (%)	4.82	4.40
Duration (years)	7.71	7.70

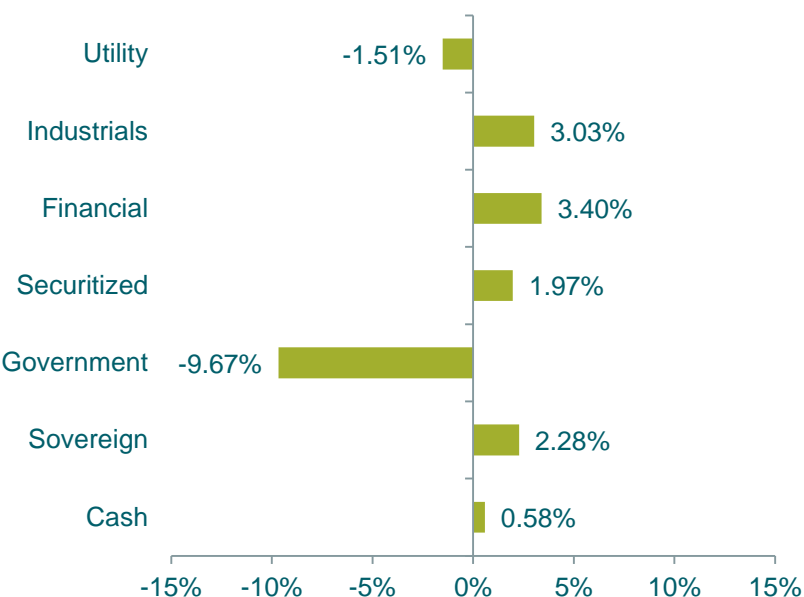
# M&G Long Dated Corporate Bond Fund

## Current fund risk positions vs benchmark

### Credit ratings



### Sector



	Fund	Benchmark
Number of positions	264	243
Number of issuers	129	140
Average Credit Rating	A-	A
Yield (%)	4.19	3.92
Duration (years)	13.87	13.92



# M&G Alpha Opportunities Fund

# M&G Alpha Opportunities Fund

## Key characteristics

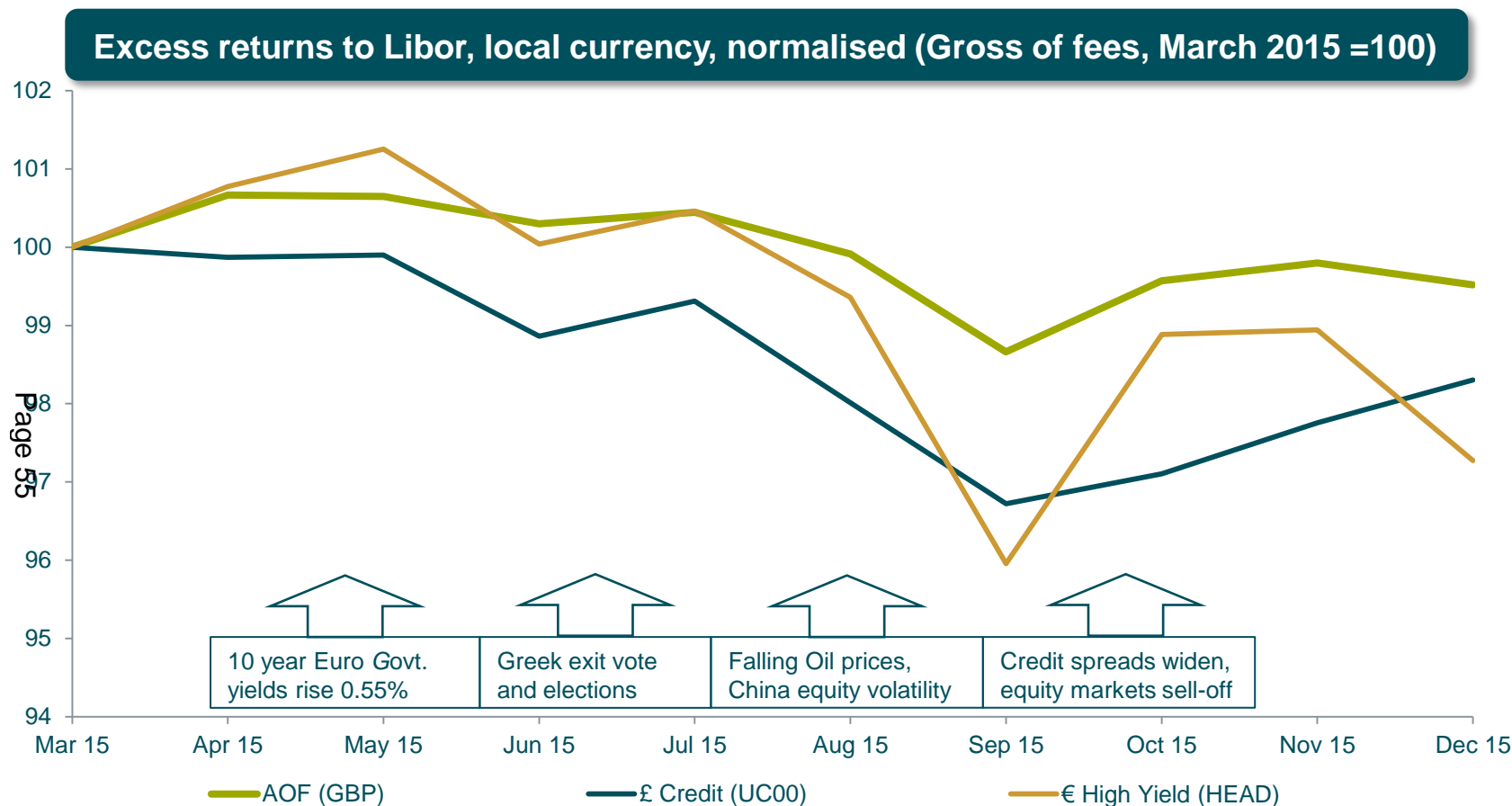
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- Performance target of **LIBOR + 3-5%** pa gross over a cycle
- A flexible and **unconstrained approach** free from the ties of a benchmark
- Accessing the credit risk premium while **minimising interest rate exposure**
- Access to a **broad range of credit assets**
- An extremely **diversified portfolio seeks to reduce volatility and protect capital**

Page 54

# M&G Alpha Opportunities Fund during recent volatility

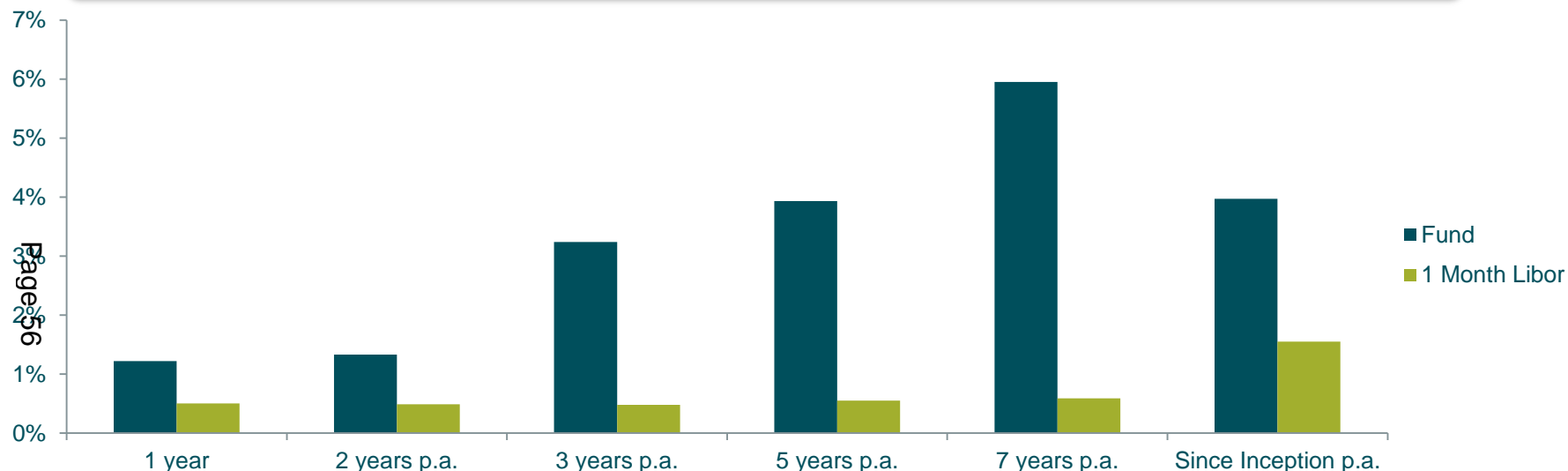
## Seeking to preserve capital and take advantage of value opportunities



# M&G Alpha Opportunities Fund

Aiming to deliver higher long term performance with lower volatility

## Alpha Opportunities Fund performance (Gross of fees)



Gross returns to 31 December 2015	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	7 years (% p.a.)	Since Inception (% p.a.)
A Share Class £	1.22	1.33	3.24	3.93	5.95	3.97
1 month Libor	0.50	0.49	0.48	0.55	0.59	1.55
<b>Difference</b>	<b>+0.72</b>	<b>+0.84</b>	<b>+2.76</b>	<b>+3.38</b>	<b>+5.36</b>	<b>+2.42</b>

# Multi-Asset Credit strategies

## Current themes

---

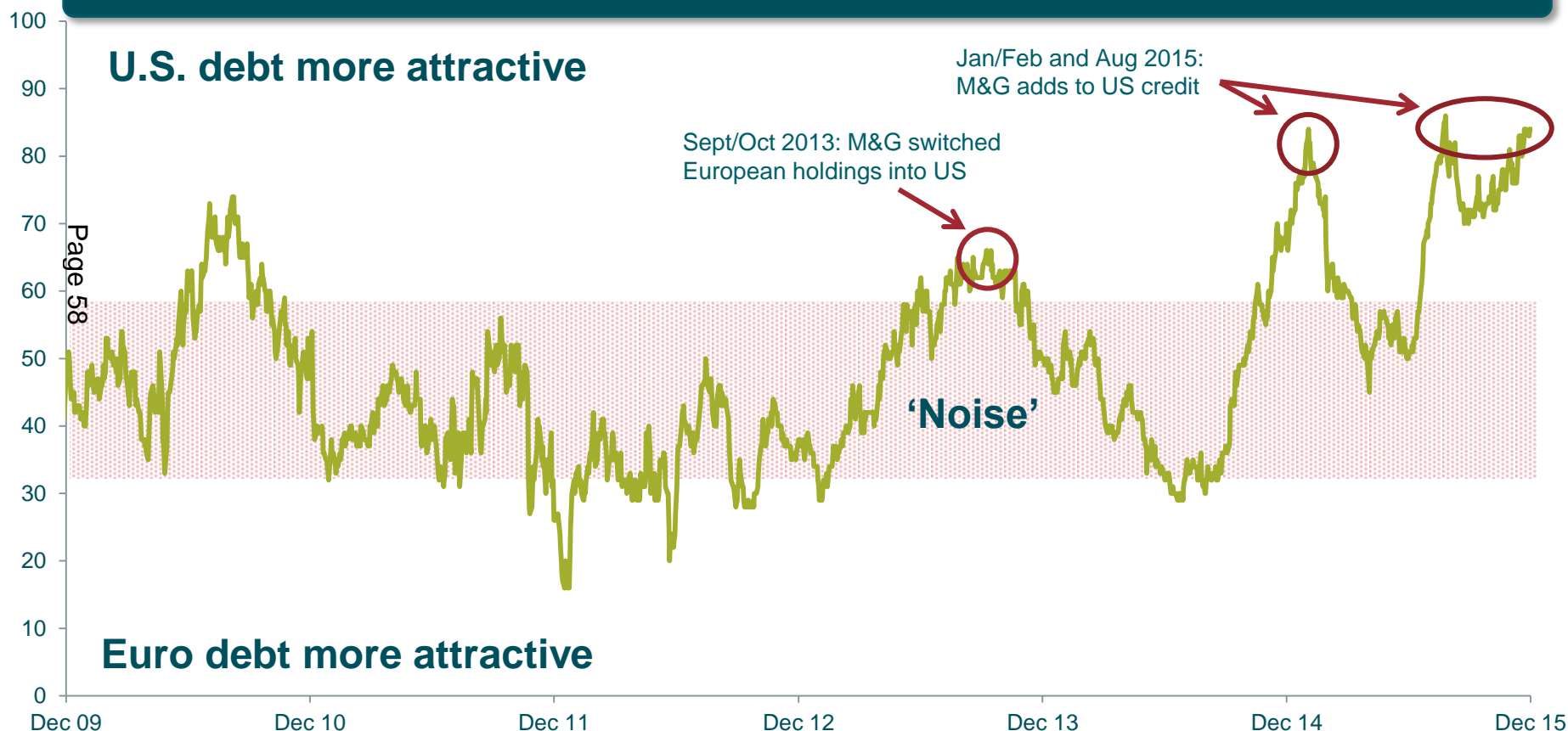
- Market weakness abated during the fourth quarter
- Global Risk appetite low and acceptance of uncertainty very poor
  - Increased opportunities for stock picking
- Long dated US dollar, investment grade spreads particularly attractive
  - Industrial, Chemical, Pharma and Telecom issuers
- Continuing to find value across most European sectors
  - Running down cash and defensive assets
  - Energy, Mining and Commodity related sectors represent value
  - Adding further to subordinated insurance holdings

Page 57

# Asset allocation – cross market opportunities

## Stock selections between different markets

### Spread Differential Between US and Euro Non-Financial Corporates (bps)



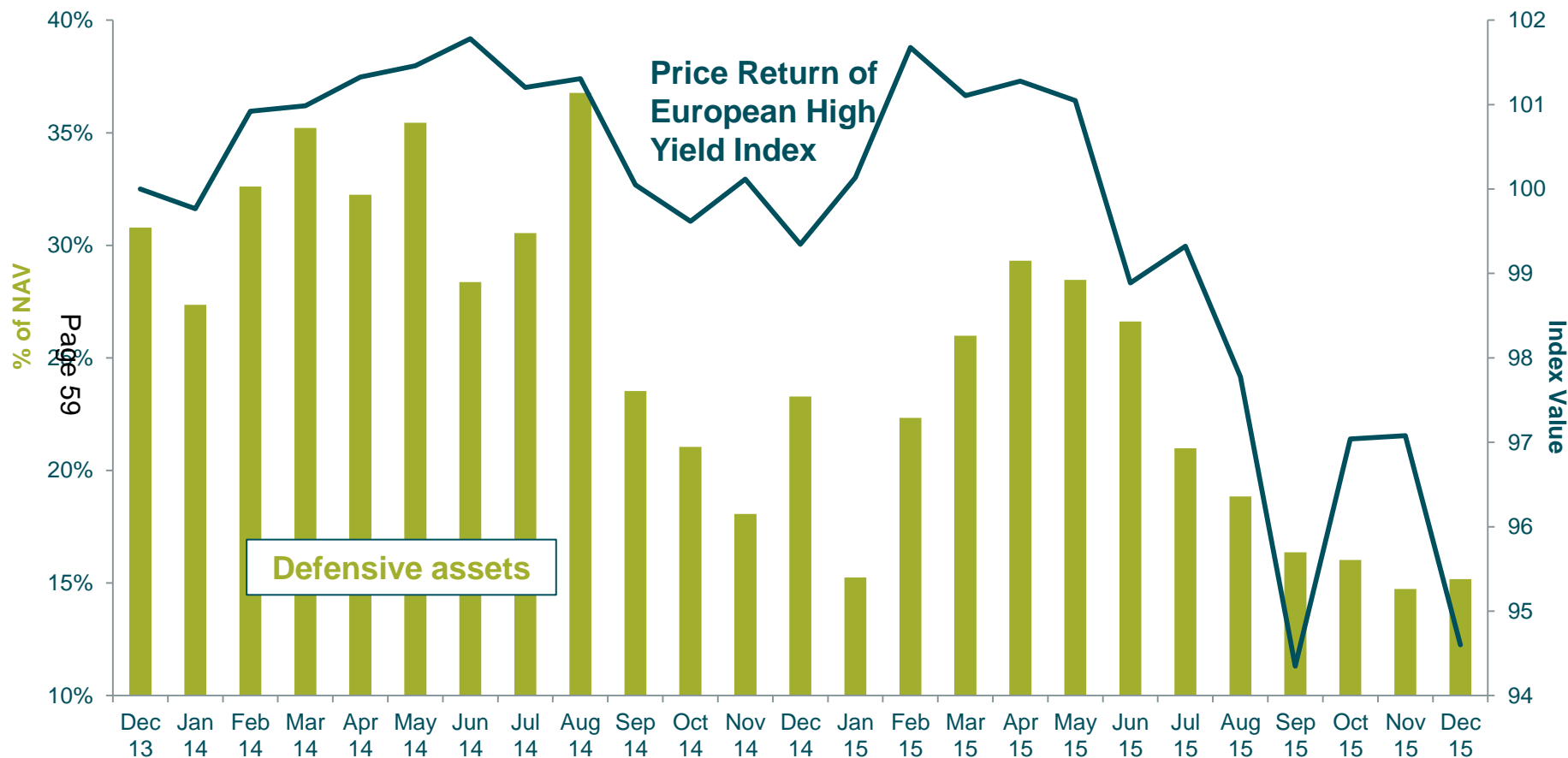
*True asset allocation opportunities are infrequent*



# Asset Allocation – Defensive assets

Seeking to preserve capital where opportunities are not compelling

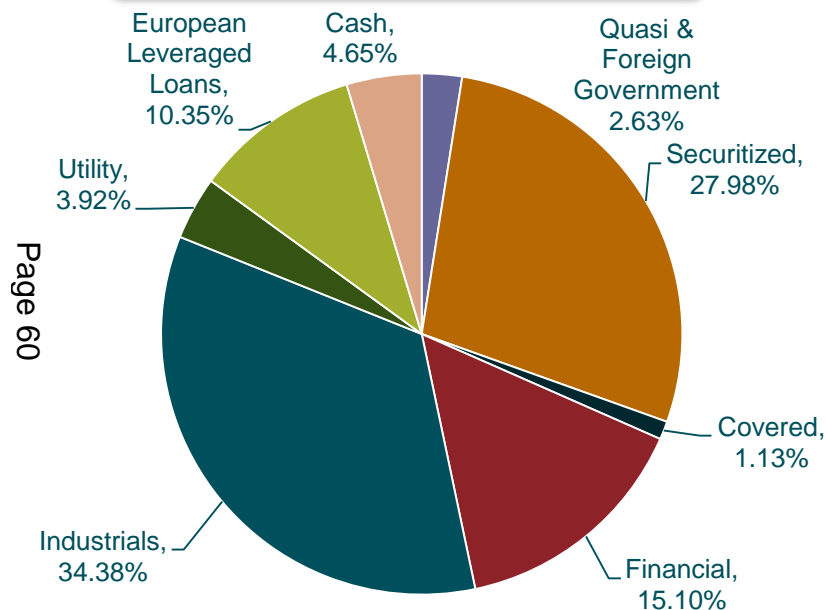
Defensive Asset allocation (LHS) relative to market pricing (Index 31/12/13=100)



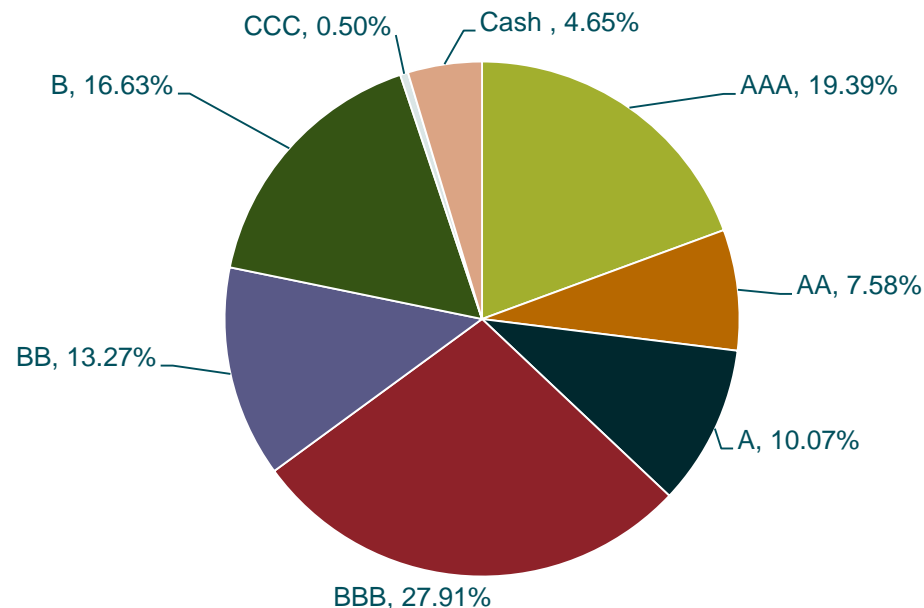
# M&G Alpha Opportunities Fund

## Current portfolio – 31 December 2015

### Sector allocation



### Rating allocation



### M&G Alpha Opportunities Fund

Size of Fund	£4.6bn
Number of positions	428
Number of issuers	348
Total Duration	0.03
Average Credit Rating	A-



# Market outlook

---

- Market confidence remains fragile as we enter 2016
- Global uncertainties, such as a slowing Chinese economy, weak equity markets and divergent monetary policies are creating opportunities
- US Monetary policy tightening is underway; UK policy is expected to tighten. 'Brexit' concerns have yet to be reflected in market pricing.
- Euro Quantitative Easing likely to suppress government yields and ultimately prove supportive of asset prices
- Pockets of value to be found in subordinated financials, US Dollar credit and long dated corporates.

Page 61

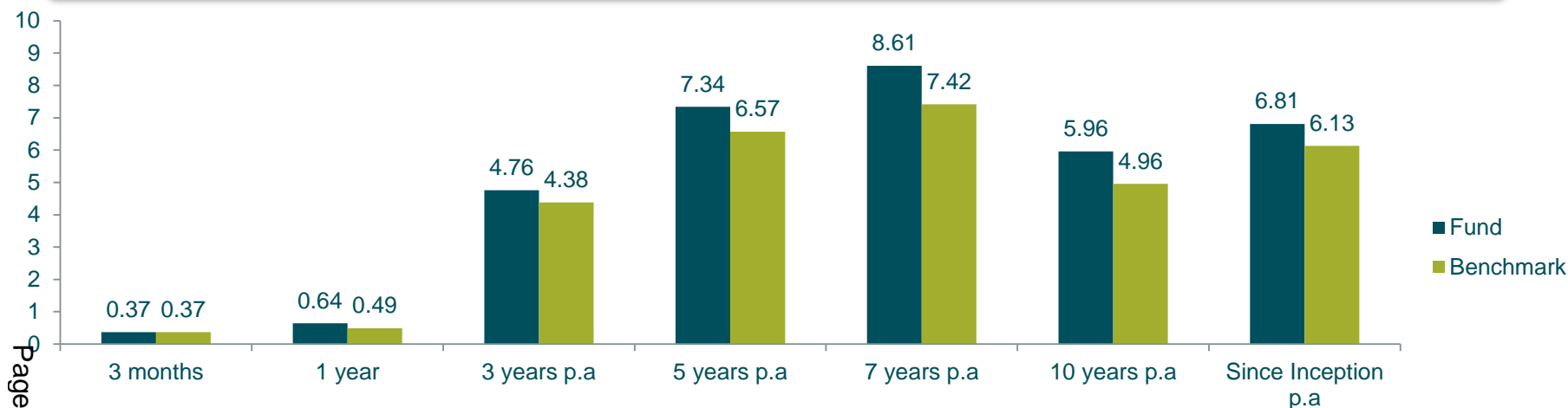
# Appendix

Page 62

# M&G All Stocks Corporate Bond Fund

## A strong and consistent track record

### Annualised gross returns to 31 December 2015 (Gross of fees, %)



### Discrete annual returns (Gross of fees, %)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Portfolio	7.3	9.2	1.4	1.8	-3.1	14.4	9.4	8.3	14.4	1.8	12.2	0.64
Benchmark	6.9	8.7	0.7	1.8	-4.1	10.8	8.4	6.9	13.1	0.9	12.2	0.49
Difference	+0.4	+0.5	+0.7	0.0	+1.0	+3.6	+1.0	+1.4	+1.3	+0.9	+0.0	+0.15

# M&G Long Dated Corporate Bond Fund

## A strong and consistent track record

### Annualised gross returns to 31 December 2015 (Gross of fees, %)



### Discrete annual returns (Gross of fees, %)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Portfolio	8.43	11.87	0.40	-0.16	-0.57	14.11	9.71	12.19	14.09	0.27	19.06	-0.80
Benchmark	7.70	11.51	-0.39	-1.15	-5.06	12.71	9.46	12.00	13.05	-0.56	18.99	-1.26
Difference	+0.73	+0.36	+0.79	+0.99	+4.49	+1.40	+0.25	+0.19	+1.04	+0.83	+0.07	+0.46

# M&G All Stocks Corporate Bond Fund

## 12 month attribution (quarterly)

Page 65

Attribution	Q1 2015 (%)	Q2 2015 (%)	Q3 2015 (%)	Q4 2015 (%)	TOTAL
Stock selection	+0.24	-0.03	-0.20	-0.09	<b>-0.08</b>
Sector selection	+0.22	+0.08	-0.50	+0.09	<b>-0.11</b>
Yield Curve/duration positioning	-0.08	+0.14	0.00	0.00	<b>+0.06</b>
Bid/offer spread widening/tightening	-0.02	+0.09	+0.20	0.00	<b>+0.27</b>
Total	<b>+0.36</b>	<b>+0.28</b>	<b>-0.50</b>	<b>0.00</b>	<b>+0.14</b>

# M&G Long Dated Corporate Bond Fund

## 12 month attribution (quarterly)

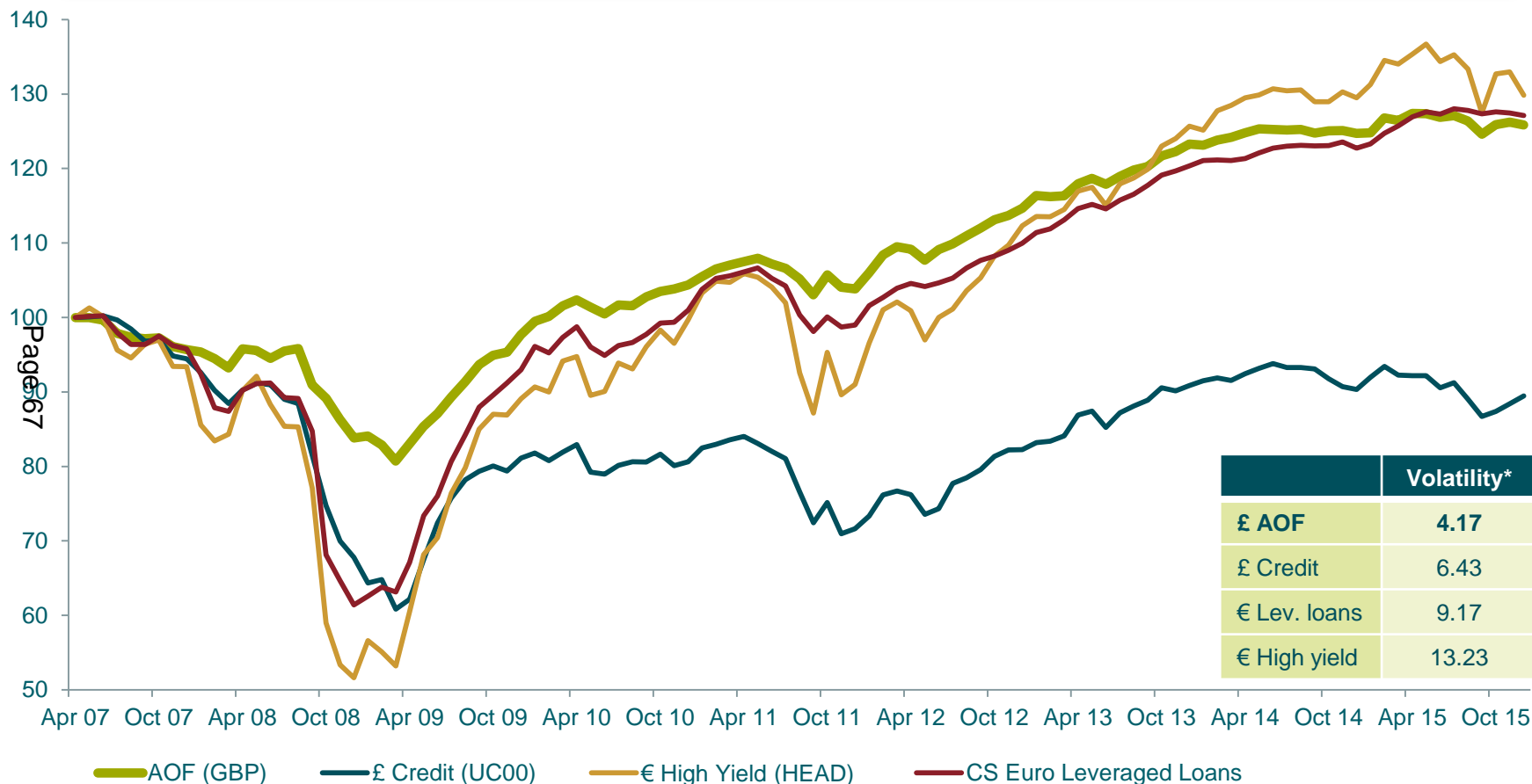
Page 66

Attribution	Q1 2015 (%)	Q2 2015 (%)	Q3 2015 (%)	Q4 2015 (%)	TOTAL
Stock selection	+0.24	+0.06	-0.11	-0.02	<b>+0.17</b>
Sector selection	+0.09	+0.12	-0.38	+0.19	<b>+0.02</b>
Yield Curve/duration positioning	-0.09	+0.15	0.00	0.00	<b>+0.06</b>
Bid/offer spread widening/tightening	-0.01	+0.07	+0.30	-0.17	<b>+0.19</b>
Total	<b>+0.23</b>	<b>+0.40</b>	<b>-0.19</b>	<b>0.00</b>	<b>+0.44</b>

# M&G Alpha Opportunities Fund

## Delivering higher performance with lower volatility

Excess returns to Libor, local currency, normalised (Gross of fees, April 2007 =100)

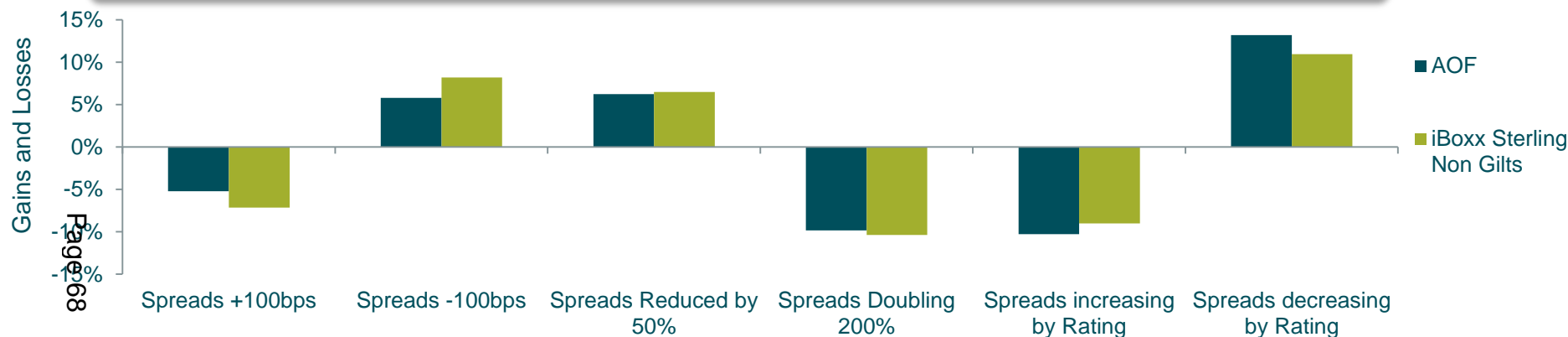


Source: M&G, BofA Merrill Lynch indices (Ref. UC00, HEAD), Credit Suisse Euro Leveraged Loan index, as at 31 December 2015. \*Standard deviation of gross excess returns since inception 26 April 2007

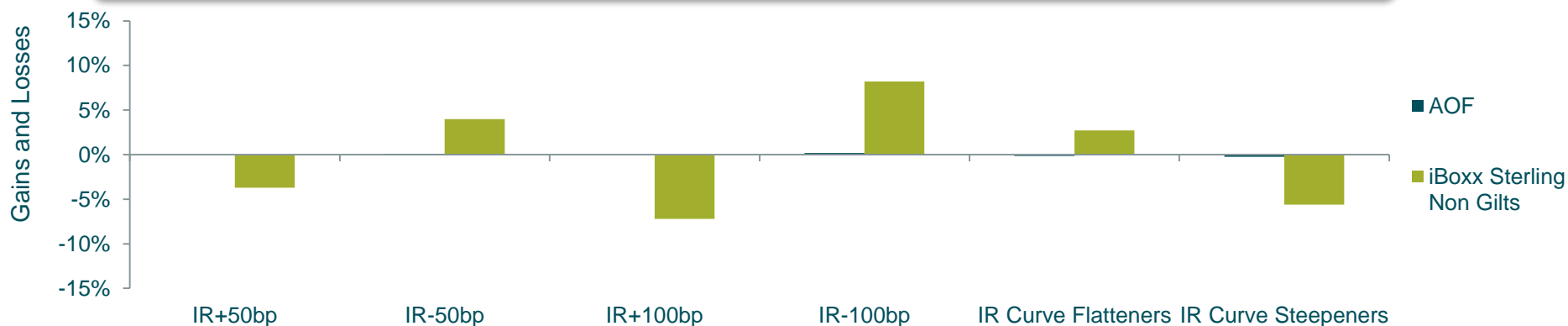
# The most important risk metric

## How much capital could be lost in extreme scenarios?

### Risk analysis – AOF credit scenarios relative to UK Sterling Credit Index



### Risk analysis – AOF Interest rate scenarios relative to UK Sterling Credit Index





# Biography

Page 69



## Mike Thomas

### **Director of Fixed Income**

Mike joined M&G Investments in 2009, as a Director of Fixed Income. His primary focus is on managing and servicing our Institutional Fixed Income client relationships.

Prior to joining M&G, Mike was a Client Services Executive with Western Asset Management Ltd where he was responsible for looking after a number of the firms' fixed income corporate pension fund client relationships.

Mike's background is in fixed income whereby he spent over 20 years as a bond salesman, latterly with UBS, before moving over to the investment management side of the business with Western Asset Management.

# Biography

Page 70



## David Parsons Investment Specialist

David joined M&G in 2013 and is an investment specialist working closely with our fund management, client service and distribution teams.

Prior to joining M&G, David worked for 7 years at Blackrock as a Senior Product Strategist for the company's Sterling fixed income business.

Before this David was a Senior Fixed Income Portfolio Manager at Lombard Odier, responsible for strategy, portfolio construction and risk management for a wide variety of UK and European segregated clients. He was also responsible for managing Global, US and Euro Investment fund vehicles and advising high net worth clients and third party distribution channels. Prior to that he was a fixed income portfolio manager for JP Morgan Asset Management.

# GIPS compliant presentation

<b>Composite:</b>	<b>UK Corporate Bonds All Maturities allowing High Yield Composite</b>
<b>Benchmark:</b>	iBoxx Sterling Non Gilts Index
<b>Base Currency:</b>	Pound Sterling
<b>Gross Returns as at:</b>	30 September 2015

Year	Composite return	Benchmark return	Number of portfolios (throughout period)	Dispersion	Market Value at end of Period	Percentage of Firm Assets	Total Firm GIPS Assets	3yr Std Dev: Composite	3yr Std Dev: Benchmark
2015 (Sept)	0.25%	0.12%	2 (1)	N/A	4,559,803,643	-	-	5.68%	5.87%
2014	12.24%	12.20%	1 (1)	N/A	4,885,734,728	4.26%	114,656,400,884	4.94%	4.97%
2013	1.81%	0.87%	1 (1)	N/A	4,985,239,315	4.71%	105,851,354,323	5.25%	5.28%
2012	14.38%	13.05%	1 (1)	N/A	4,419,696,613	4.00%	110,541,000,000	4.68%	4.72%
2011	8.34%	6.91%	1 (1)	N/A	3,587,004,315	3.71%	96,686,648,571	6.09%	5.86%
2010	9.41%	8.38%	1 (1)	N/A	3,126,714,728	3.70%	84,470,441,044	7.09%	6.80%
2009	14.41%	10.78%	1 (1)	N/A	2,209,453,125	2.90%	76,139,730,626	6.78%	6.37%
2008	-3.11%	-4.06%	1 (1)	N/A	1,753,897,643	2.84%	61,663,616,805	5.01%	4.90%
2007	1.81%	1.81%	1 (1)	N/A	1,565,137,643	2.53%	61,812,085,471	3.37%	3.28%
2006	1.38%	0.68%	1 (1)	N/A	1,019,166,243	1.72%	59,092,359,913	3.13%	3.24%

For the purposes of GIPS®, the firm is defined as the Pooled, Life and Segregated Fixed Income Business of M&G Investments.

A complete listing and description of all composites is available on request.

M&G Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. M&G Investments has been independently verified for the periods 1 January 2000 to 31 December 2014. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Additional information regarding policies for valuing funds and for calculating and reporting returns is available upon request.

Performance figures are presented gross of management fees, custodial fees, and withholding taxes but net of all trading expenses and irrecoverable taxes.

Dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for the entire year. If the composite contains less than 5 portfolios for the full year, a measure of dispersion is not shown.

The three-year annualized ex-post standard deviation of both the composite and the benchmark is calculated using monthly returns. If the composite and benchmark contains less than 36 months performance history, standard deviation will not be shown.

The creation date for this Composite is the 6th April 2009.

The inception date for this Composite is the 31st January 2000.

The benchmark for this composite is the iBoxx Sterling Non Gilts Index. From the 30th of September 2003 until the 31st of January 2006 the benchmark was the Merrill Lynch Sterling Non-Gilts Index (UN00). Prior to the 30th September 2003 the benchmark was the Merrill Lynch Sterling Non-Gilts All Stocks Index (UNP0).

The change from Merrill Lynch to iBoxx index series reflects M&G's view at the time of change that iBoxx was using a wider variety of pricing sources, consolidating into a fairer value of assets more consistent with the market price. It does not reflect a change in investment strategy.

This Composite contains all portfolios managed to a UK Corporate Bond all Maturities Index where the fund is allowed to invest in High Yield securities.

The Management Fee applicable for this Composite is 0.35% p.a. A sliding fee scale is available for larger mandates. A performance related fee is available on request. The minimum Management Fee is £150,000 per annum.

# GIPS compliant presentation

<b>Composite:</b>	<b>UK Corporate Bonds Over 15 Years Composite</b>
<b>Benchmark:</b>	iBoxx Sterling Over 15 Year Non Gilts Index
<b>Base Currency:</b>	Pound Sterling
<b>Gross Returns as at:</b>	30 September 2015

Year	Composite return	Benchmark return	Number of portfolios (*throughout period)	Dispersion	Market Value at end of Period	Percentage of Firm Assets	Total Firm GIPS Assets	3yr Std Dev: Composite	3yr Std Dev: Benchmark
2015 (Sept)	-1.37%	-1.77%	2 (2)	N/A	1,384,318,904	-	-	9.90%	10.08%
2014	19.08%	18.99%	2 (1)	N/A	1,549,061,145	1.35%	114,656,400,884	7.83%	7.97%
2013	0.27%	-0.56%	2 (2)	N/A	1,272,083,136	1.20%	105,851,354,323	7.90%	7.98%
2012	14.12%	13.05%	2 (2)	N/A	1,344,985,547	1.22%	110,541,000,000	7.52%	7.68%
2011	12.17%	12.00%	2 (2)	N/A	1,230,621,632	1.27%	96,686,648,571	9.12%	9.30%
2010	9.72%	9.46%	2 (2)	N/A	1,198,562,046	1.42%	84,470,441,044	10.10%	10.52%
2009	14.09%	12.71%	2 (1)	N/A	1,109,122,568	1.46%	76,139,730,626	9.29%	9.59%
2008	-0.57%	-5.06%	1 (1)	N/A	920,518,529	1.49%	61,663,616,805	7.15%	7.38%
2007	-0.16%	-1.15%	1 (1)	N/A	622,666,656	1.01%	61,812,085,471	5.34%	5.34%
2006	0.40%	-0.39%	1 (1)	N/A	560,788,618	0.95%	59,092,359,913	4.75%	4.94%

For the purposes of GIPS®, the firm is defined as the Pooled, Life and Segregated Fixed Income Business of M&G Investments.

A complete listing and description of all composites is available on request.

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Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Additional information regarding policies for valuing funds and for calculating and reporting returns is available upon request.

Performance figures are presented gross of management fees, custodial fees, and withholding taxes but net of all trading expenses and irrecoverable taxes.

Dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for the entire year. If the composite contains less than 5 portfolios for the full year, a measure of dispersion is not shown.

The three-year annualized ex-post standard deviation of both the composite and the benchmark is calculated using monthly returns. If the composite and benchmark contains less than 36 months performance history, standard deviation will not be shown.

The creation date for this Composite is the 31st March 2005.

The inception date for this Composite is the 31st December 1999.

The benchmark for this composite is the iBoxx Sterling Over 15 year Non Gilts Index. From the 30th of September 2003 until the 31st of January 2006 the benchmark was the Merrill Lynch Sterling Over 15 Years Non-Gilts Index (UN08). Prior to the 30th September 2003 the benchmark was the Merrill Lynch Sterling All Stocks Over 15 Years Non-Gilts Index (UNP8).

The change from Merrill Lynch to iBoxx index series reflects M&G's view at the time of change that iBoxx was using a wider variety of pricing sources, consolidating into a fairer value of assets more consistent with the market price. It does not reflect a change in investment strategy.

This composite contains all portfolios managed from the 31st January 2006 to the iBoxx Sterling Over 15 year Non Gilts Index, from the 30th of September 2003 until the 31st of January 2006 to the Merrill Lynch Sterling Non-Gilts Over 15 Year Index, and prior to that to the Merrill Lynch Sterling Non-Gilt All Stocks Over 15 Year Index.

The Management Fee applicable for this Composite is 0.35% p.a. A sliding fee scale is available for larger mandates. A performance related fee is available on request.

The minimum Management Fee is £150,000 per annum.

The Composite name was changed from Merrill Lynch Sterling Non-Gilts Over 15 Year Composite to UK Corporate Bonds Over 15 Years Composite.

# GIPS compliant presentation

<b>Composite:</b>	<b>Total Return Composite GBP</b>
<b>Benchmark:</b>	UK Interbank 1 Month Rate (LIBOR)
<b>Base Currency:</b>	Pound Sterling
<b>Gross Returns as at:</b>	30 September 2015

Year	Composite Return	Benchmark Return	Number of Portfolios (*throughout period)	Dispersion	Market Value at end of Period	Percentage of Firm Assets	Total Firm GIPS Assets	3yr std dev: Composite	3 yr std dev: Benchmark
2015 (Sept)	0.21%	0.37%	5 (5)	0.10%	4,373,968,865	-	-	2.01%	0.01%
2014	1.47%	0.49%	5 (3)	N/A	2,796,997,854	2.45%	114,656,400,884	2.31%	0.03%
2013	7.21%	0.49%	3 (1)	N/A	1,410,962,205	1.33%	105,851,354,323	3.25%	0.03%
2012	9.98%	0.62%	1 (1)	N/A	684,092,320	0.62%	110,541,000,000	3.41%	0.02%
2011	0.21%	0.65%	1 (1)	N/A	243,840,109	0.25%	96,686,648,571	4.45%	0.08%
2010	6.79%	0.56%	1 (1)	N/A	246,773,685	0.29%	84,470,441,044	5.67%	0.65%
2009	15.76%	0.83%	1 (1)	N/A	204,719,149	0.27%	76,139,730,626		
2008	-6.35%	5.35%	1 (1)	N/A	159,682,011	0.26%	61,663,616,805		
2007 (May)	-0.13%	4.22%	1 (1)	N/A	49,246,364	0.08%	61,812,085,471		

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A complete listing and description of all composites is available on request.

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Additional information regarding policies for valuing funds and for calculating and reporting returns is available upon request.

Gross performance figures are presented gross of management fees, custodial fees, and withholding taxes but net of all trading expenses and irrecoverable taxes.

Dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for the entire year. If the composite contains less than 5 portfolios for the full year, a measure of dispersion is not shown.

The three-year annualized ex-post standard deviation of both the composite and the benchmark is calculated using monthly returns. If the composite and benchmark contains less than 36 months performance history, standard deviation will not be shown.

Net performance figures are presented net of management fees, custodial fees, withholding taxes and net of all trading expenses and irrecoverable taxes.

The management fee applicable to this composite is 0.50% p.a.

The creation date for this composite is 27th July 2011.

The inception date of this composite is 30th April 2007.

The benchmark of this composite is the sterling 1 Month LIBOR.

This composite contains all portfolios aiming to seek to maximise total return, consistent with prudent investment management.



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# East Sussex Pension Fund

## Review of Investment Managers' Performance for Fourth Quarter of 2015

Page 75



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For and on behalf of Hymans Robertson LLP  
January 2016

Contents

	Page
➤ <b>Markets</b>	
Historic Returns for World Market to 31 December 2015	3
➤ <b>Fund Overview</b>	
Fund Asset Allocation and Performance	4
➤ <b>Manager Overview</b>	
Summary of Mandates	5
Manager Structure	6
Performance Summary (gross of fees)	7
Performance Summary (net of fees)	8
➤ <b>Managers</b>	
Legal and General - UK and Global Equities	9
Legal and General - 5 year ILG	10
State Street - Fundamental Indexation	11
Lazard - Global Equity	12
Longview - Global Equity	13
Ruffer - Absolute Return	14
Newton - Absolute Return	15
M&G - Bonds	16
M&G - Bonds - Performance Attribution	17
Schroders - Property	18
➤ <b>Appendices</b>	
Summary of Benchmarks	19
Performance Calculation Explanation	22

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

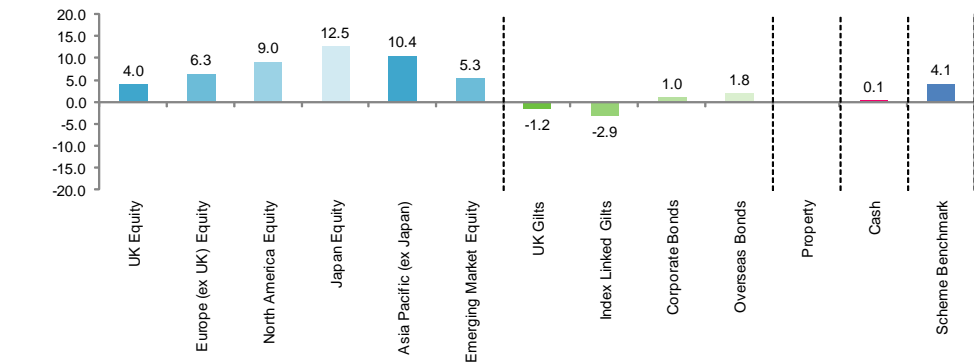
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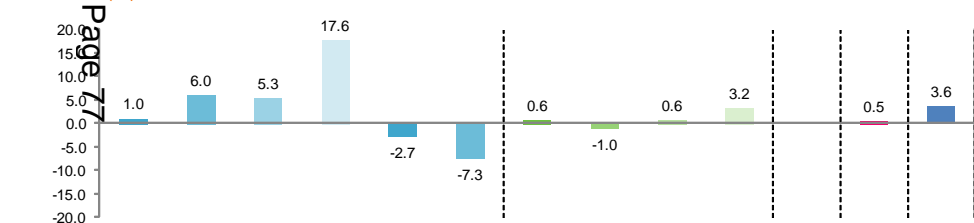
# Historic Returns for World Market to 31 December 2015

Historic Returns - Chart 1 <sup>[1]</sup> <sup>[i]</sup>

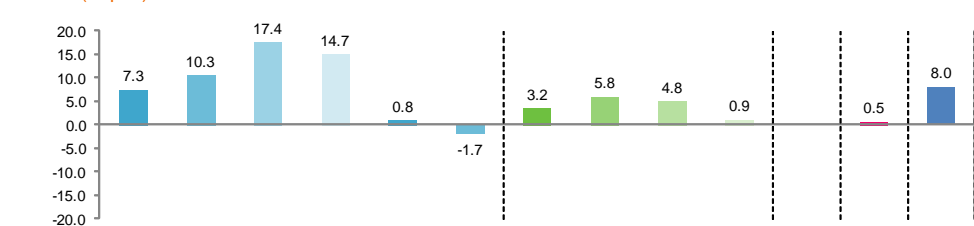
3 Months (%)



12 Months (%)



3 Years (% p.a.)



## Comment

Global equity markets rebounded strongly from the setback of Q3, with the FTSE All World index returning 8.1%. In the UK the FTSE All Share index rose by 4.0%; in the US, the S&P 500 index increased by 10.0%. The defensive qualities of government bonds were in less demand and they delivered negative returns over the period.

Economic news was varied. The US and China appeared to be slowing, while Japan and Eurozone showed signs of improvement. There was no relief for oil exporting countries as oil prices fell to their lowest level in seven years. Brent crude finished the year just above \$35 per barrel, less than one-third of its mid-2014 highs.

There was growing divergence in the policies of major central banks. In response to stubbornly low inflation, the European Central Bank extended its monthly €60bn quantitative easing programme by six months and cut its overnight deposit rate from -0.2% p.a. to -0.3% p.a. Many had expected more drastic measures. After almost a decade of no change, the Federal Reserve raised US interest rates from 0.25% p.a. to 0.50% p.a. Continuing labour market strength had made this all but inevitable and market reaction was muted. In the UK, the Bank of England hinted that a rise in UK interest rates was unlikely until much later this year.

Key events during the quarter included:

### Global Economy

- December's rise in US interest rates was the first for nearly 10 years.
- In November's Inflation Report, the Bank of England indicated that UK interest rates were unlikely to rise until late 2016.
- Oil prices fell to their lowest levels in seven years, finishing the year just above \$35 per barrel.
- Slowdown in the Chinese economy continued with GDP growth falling below 7% for the first time since 2009.
- Cyclical commodities such as industrial metals and energy have particularly suffered from China's slowdown.

### Equities

- The strongest sectors relative to the FTSE All World Index were Technology (+3.2%) and Health Care (+2.0%); the weakest were Oil & Gas (-2.0%) and Utilities (-3.9%).
- Japan was the strongest performer during the quarter; while Emerging Markets were again the weakest.

### Bonds and currencies

- Sterling was broadly flat against the Euro but weakened against the Dollar and Yen.
- UK gilts fell (yields rose) as equity markets rallied and investors switched to higher risk assets.

[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds; Property – IPD UK Monthly Property Index; Cash – UK Interbank 7 Day.

Fund Asset Allocation and Performance

Valuation Summary [1]

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q3 2015	Q4 2015			
Global Equity	951.6	1041.8	38.6	38.0	0.6
UK Equity	252.2	262.2	9.7	12.0	-2.3
Fixed Interest	107.4	107.9	4.0	3.5	0.5
Index-Linked Gilts	143.0	138.3	5.1	5.0	0.1
Property	306.9	322.9	12.0	10.0	2.0
Infrastructure	43.9	45.5	1.7	2.0	-0.3
Private Equity	162.0	162.0	6.0	5.5	0.5
Absolute Return Funds	483.2	485.5	18.0	20.0	-2.0
Cash	79.2	53.7	2.0	0.0	2.0
UK Financing Fund	10.6	10.7	0.4	1.0	-0.6
Absolute Return Bonds	66.7	67.2	2.5	3.0	-0.5
Total Fund	2606.8	2697.7	100.0	100.0	

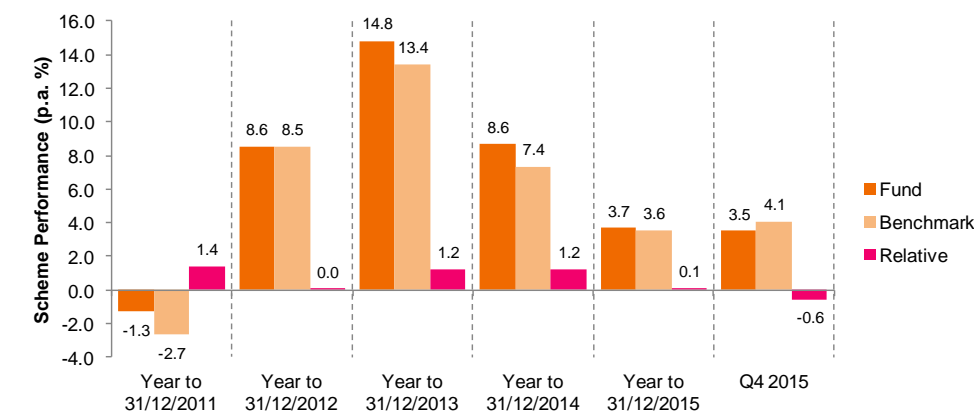
Fund performance [2]

Over the fourth quarter of 2015, the Fund's more growth oriented elements generated positive absolute performance. As expected in such an environment, the Fund's more defensive elements did less well.

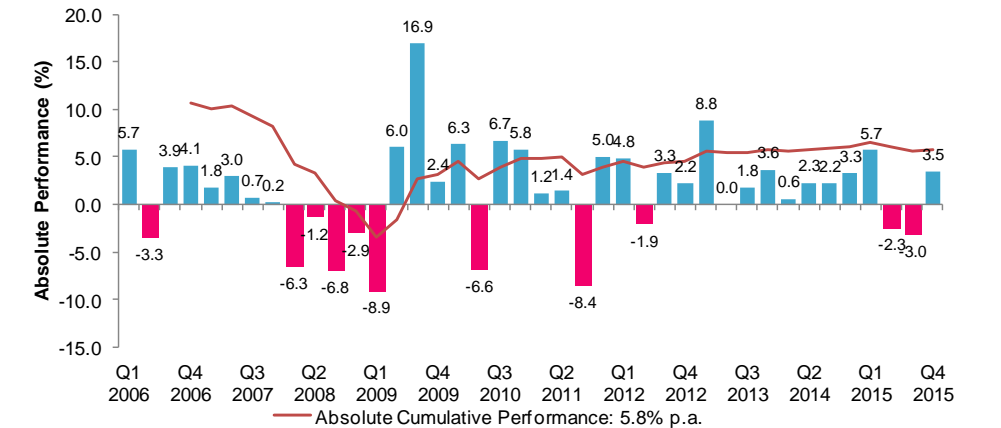
The Fund underperformed the aggregate benchmark over the quarter, returning 3.5% in absolute terms, against a benchmark return of 4.1%. Over the twelve month period to end December 2015, the Fund delivered a positive relative return of 0.1%.

Ruffer's Absolute Return Fund and Longview's Global Equity Fund underperformed over the quarter. This was partially offset by outperformance from the Newton Real Return Fund. All passive funds performed in line with their benchmarks.

Performance Summary [3]



Absolute Quarterly and Absolute Cumulative Performance [3]



[1] The cash figure shown includes the cash balances held by managers (the asset class allocations are shown on a 'look-through' basis). Cash figure includes c£0.1m of residual cash in the Lazard custody account., [2] Total Fund return is estimated. Historical returns are backdated with WM figures.

Summary of Mandates

Manager Summary <sup>[1]</sup>

Manager	Investment Style	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
L&G - Global Equities	Passive	11 May 2010	FTSE All World	Track index	<div><div></div><div></div><div></div><div></div><div></div></div>
Lazard - Global Equities	Thematic	26 May 2010	FTSE All World	+3% (gross of fees) over rolling 3 year periods	<div><div></div><div></div><div></div><div></div><div></div></div>
Longview - Global Equity	Active	16 Apr 2013	MSCI ACWI (GBP)	+3% (gross of fees) over rolling 3 year periods	<div><div></div><div></div><div></div><div></div><div></div></div>
State Street - Fundamental Indexation	Passive	06 Aug 2013	FTSE RAFI All-World 3000	Track Index	<div><div></div><div></div><div></div><div></div><div></div></div>
L&G - UK Equities	Passive	21 Nov 2007	FTSE All Share	Track index	<div><div></div><div></div><div></div><div></div><div></div></div>
Newton - Absolute Return	Absolute return	06 May 2010	Libor	+4% (gross of fees) over 5 years	<div><div></div><div></div><div></div><div></div><div></div></div>
Ruffer - Absolute Return	Absolute return	06 May 2010	Libor	+4% (gross of fees) over 5 years	<div><div></div><div></div><div></div><div></div><div></div></div>
L&G - 5yr ILG	Passive	11 Mar 2015	FTSE A Index-linked Gilts Over 5 Years	Track index	<div><div></div><div></div><div></div><div></div><div></div></div>
M&G - Bonds	N/A	01 Jan 1997	Bespoke	+0.8% (gross of fees) for corporate bonds only	<div><div></div><div></div><div></div><div></div><div></div></div>
Schroder - Property	Fund of Funds	20 Feb 2010	IPD All Balanced Funds	0.75% p.a. (net of fees) over rolling 3 year periods	<div><div></div><div></div><div></div><div></div><div></div></div>

<sup>\*</sup> For information on our manager ratings, see individual manager pages

Key:-  - Replace  - On-Watch  - Retain

Manager Summary Comment

There were no changes to manager ratings over the fourth quarter of 2015. On 24 November 2015 the Trustees terminated the Lazard Global Equity mandate. The assets were split 50:50 and transferred to the Legal and General Global Equity Fund and the State Street Fundamental Indexation Global Equity Fund.

The Fund continues to be underweight to UK equity. Property and cash remain overweight. The Absolute Return Funds remain underweight due in part to the recent strong performance of equities.

Performance versus WM Local Authorities <sup>[2]</sup> <sup>[1]</sup>

	3 months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-3.0	4.0	8.8	7.3
WM average Local Authority	-2.9	2.2	7.3	6.2
Relative	-0.1	1.8	1.4	1.0

[1] Ruffer does not have a specific performance target, we have assumed a proxy for measurement purposes. Ruffer's stated objective is to 'preserve capital over rolling 12 month periods', and to grow the portfolio at a higher rate than could be expected from depositing the cash in a UK bank (net of fees), [2] Performance is shown as at 30 September 2015.

Source: [1] WM/State Street

Manager Structure

Manager Valuations <sup>[1]</sup>

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q3 2015	Q4 2015			
L&G - Global Equities	193.6	402.8	14.9	15.5	-0.6
Lazard - Global Equities	358.3	0.0	0.0	0.0	0.0
Longview - Global Equity	162.2	170.6	6.3	5.0	1.3
State Street - Fundamental Indexation	255.4	468.4	17.4	17.5	-0.1
L&G - UK Equities	252.2	262.2	9.7	12.0	-2.3
Newton - Absolute Return	240.1	243.8	9.0	10.0	-1.0
Ruffer - Absolute Return	243.1	241.7	9.0	10.0	-1.0
L&G 5yr ILG	143.0	138.3	5.1	5.0	0.1
M&G Bonds	174.1	175.1	6.5	6.5	-0.0
Schroder - Property	320.8	325.7	12.1	10.0	2.1
M&G - Infrastructure Fund	22.8	25.2	0.9	1.0	-0.1
UBS - Infrastructure	21.1	20.2	0.8	1.0	-0.2
Adams Street - Private Equity	85.1	85.0	3.2	2.8	0.4
HarbourVest - Private Equity	76.9	77.0	2.9	2.8	0.1
M&G - UK Financing Fund	10.6	10.7	0.4	1.0	-0.6
Cash account	47.4	50.9	1.9	0.0	1.9
Total	2606.8	2697.7	100.0	100.0	0.0

[1] The Fund retains a small cash position to service the commitments made to the private equity portfolio and the infrastructure funds. The M&G UK Financing Fund can no longer draw on outstanding commitments.

Performance Summary (gross of fees)

Performance Summary (gross of fees) [1] [i]

		L&G - Global Equities	Lazard - Global Equities	Longview - Global Equity	State Street - Fundamental Indexation	L&G - UK Equities	Newton - Absolute Return	Ruffer - Absolute Return	L&G - 5yr ILG	M&G - Bonds	Schroder - Property	Total Fund
3 Months (%)	Absolute	8.2	8.5	5.4	6.9	4.0	1.3	-0.7	-3.3	0.7	3.1	3.5
	Benchmark	8.1	7.6	7.9	7.0	4.0	0.1	0.1	-3.3	0.3	3.1	4.1
	Relative	0.0	0.8	-2.4	0.0	0.0	1.2	-0.8	0.0	0.3	0.0	-0.6
12 Months (%)	Absolute	4.1	1.5	7.3	0.3	1.1	1.8	-2.4	-4.3	0.3	13.3	3.7
	Benchmark	4.1	3.6	3.3	0.2	1.0	0.5	0.5	-4.3	-0.3	12.8	3.6
	Relative	0.0	-2.0	3.9	0.1	0.2	1.4	-2.9	0.0	0.6	0.5	0.1
3 Years (% p.a.)	Absolute	11.9	9.8	15.7	4.7	7.4	4.1	5.4	N/A	4.5	13.8	8.9
	Benchmark	11.9	11.7	7.4	4.7	7.3	0.5	0.5	N/A	2.7	13.0	8.0
	Relative	0.1	-1.7	7.7	0.0	0.1	3.6	4.9	N/A	1.7	0.7	0.8
10 Years (% p.a.)	Absolute	8.7	7.6	N/A	N/A	4.8	4.7	4.8	N/A	5.4	9.6	5.8
	Benchmark	8.6	9.2	N/A	N/A	4.6	0.6	0.6	N/A	3.8	9.2	5.4
	Relative	0.1	-1.4	N/A	N/A	0.2	4.1	4.2	N/A	1.5	0.4	0.4

[1] The table shows since inception returns in place of one year, three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period; since inception for Lazard to termination 24 November 2015.

Source: [i] DataStream, Hymans Robertson

Performance Summary (net of fees)

Performance Summary (net of fees) [1] [i]

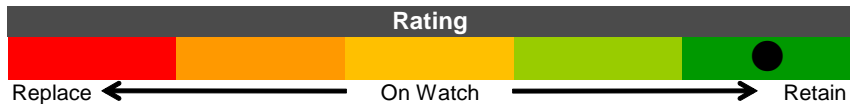
		L&G - Global Equities	Lazard - Global Equities	Longview - Global Equity	State Street - Fundamental Indexation	L&G - UK Equities	Newton - Absolute Return	Ruffer - Absolute Return	L&G - 5yr ILG	M&G - Bonds	Schroder - Property	Total Fund
3 Months (%)	Absolute Benchmark	8.1 8.1	8.3 7.6	5.2 7.9	6.9 7.0	4.0 4.0	1.2 0.1	-0.9 0.1	-3.4 -3.3	0.6 0.3	3.0 3.1	3.4 4.1
	Relative	0.0	0.7			0.0	1.1			0.2		
				-2.5	0.0			-1.0	-0.1		-0.1	-0.7
12 Months (%)	Absolute Benchmark	4.0 4.1	0.8 3.6	6.7 3.3	0.2 0.2	1.1 1.0	1.2 0.5	-3.2 0.5	-4.6 -4.3	-0.1 -0.3	13.1 12.8	3.3 3.6
	Relative			3.3	0.0	0.1	0.8			0.2	0.3	
		-0.1	-2.6					-3.7	-0.3			-0.3
3 Years (% p.a.)	Absolute Benchmark	11.8 11.9	9.1 11.7	15.0 7.4 7.1	4.6 4.7	7.4 7.3	3.5 0.5	4.6 0.5	N/A N/A	4.1 2.7	13.6 13.0	8.6 8.0
	Relative					0.1	3.0	4.1	N/A	1.3	0.5	0.5
		0.0	-2.3		-0.1							
10 Years (% p.a.)	Absolute Benchmark	8.6 8.6	7.0 9.2	N/A N/A	N/A N/A	4.8 4.6	4.1 0.6	4.0 0.6	N/A N/A	5.2 3.8	9.4 9.2	5.7 5.4
	Relative			N/A	N/A	0.1	3.5	3.4	N/A	1.4	0.2	0.3
		0.0	-2.0									

[1] We have estimated net returns based on each manager's expected fee levels. The table shows since inception returns in place of three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period. Since inception for Lazard to termination 24 November 2015.

Source: [i] Fund Manager, Hymans Robertson

Legal and General - UK and Global Equities

HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager' for passive equities.

Performance Attribution Comment

Both the Legal and General Global and UK equity mandates performed in line with their benchmarks over the quarter.

The UK equity fund delivered a positive absolute return of 4.0% over the quarter. Long term fund performance remains positive and in line with the benchmark at both 3 years and since the mandate's inception.

The Global equity fund delivered a positive absolute return of 8.2%, just marginally ahead of it's benchmark. Over the 3 year period, fund performance remains positive and broadly in line with the FTSE All World Index.

Following the termination of Lazard's global equity mandate, c£192m was invested in the L&G Global Equity fund during December.

L&G UK Fund Performance [i]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	4.0	1.1	7.4	4.8
Benchmark	4.0	1.0	7.3	4.6
Relative	0.0	0.2	0.1	0.2

\* Inception date 21 November 2007

L&G Global Fund Performance [ii]

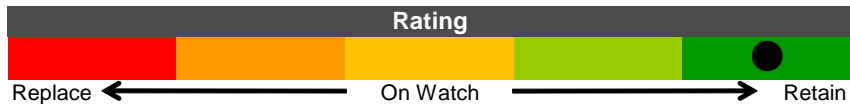
	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	8.2	4.1	11.9	8.7
Benchmark	8.1	4.1	11.9	8.6
Relative	0.0	0.0	0.0	0.1

\* Inception date 11 May 2010 (since restructure of Fund)

Source: [i] DataStream, Hymans Robertson, [ii] DataStream, Hymans Robertson

Legal and General - 5 year ILG

HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager' for passive fixed income.

Performance Summary - Table [i]

	3 Months (%)	Since Inception*
Fund	-3.3	-4.3
Benchmark	-3.3	-4.3
Relative	0.0	0.0

\* Inception date 11 Mar 2015.

Page 84

Performance Attribution Comment

Over the quarter and since inception, Legal and General's 5 year index linked gilts fund performed in line with the benchmark.

The fund delivered a negative absolute return of -3.3% over the quarter in a period where 'safe haven' assets underperformed equities. Absolute returns remain negative since inception.

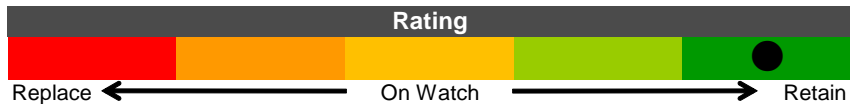
Source: [i] DataStream, Hymans Robertson





# State Street - Fundamental Indexation

## HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager'.

## Performance Summary - Table

	3 Months (%)	12 Months (%)	Since Inception*
Fund	6.9	0.3	4.7
Benchmark	7.0	0.2	4.7
Relative	-0.0	0.1	-0.0

\* Inception date 06 Aug 2013.

## Performance Attribution Comment

Over the quarter, State Street's Fundamental Indexation Fund performed broadly in line with its benchmark returning a positive absolute value of 6.9%. The fund remains in line with the benchmark over the long term.

RAFI moderately underperformed the equivalent cap weighted index in Q4 2015.

Following the termination of Lazard's global equity mandate, c.£192m was invested in the State Street Fundamental Indexation Fund during December.



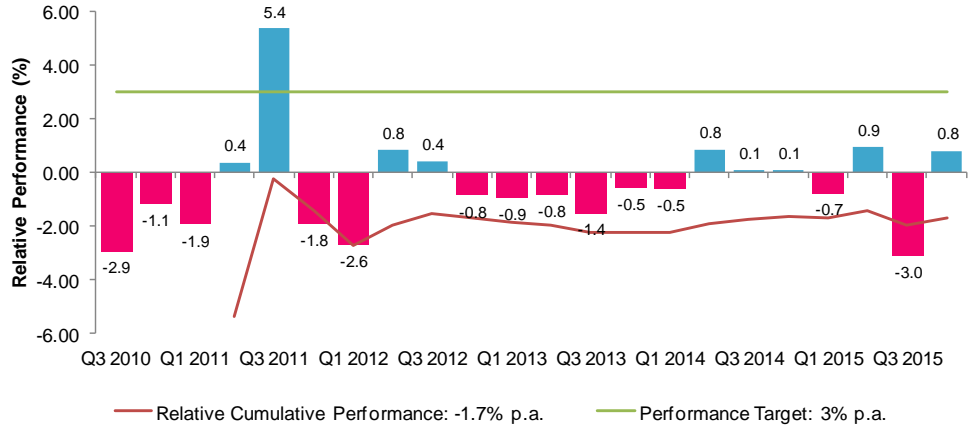
Lazard - Global Equity

HR View Comment & Rating



On 24 November 2015 the Trustees terminated the Lazard Global Equity mandate. The assets were split 50:50 between the Legal and General Global Equity Fund and the State Street Fundamental Indexation Fund.

Relative Quarterly and Relative Cumulative Performance <sup>[i]</sup>



Performance Attribution Comment

From 30 September 2015 to 24 November 2015, the Lazard global equity mandate returned a positive return of 8.5% in absolute terms. The fund outperformed it's benchmark by 0.8%. Long term portfolio performance remained behind benchmark at the point of termination.

Performance Summary to 31 December 2015 <sup>[ii]</sup>

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	8.5	1.5	9.8	7.6
Benchmark	7.6	3.6	11.7	9.2
Relative	0.8	-2.0	-1.7	-1.4

\* Inception date 26 May 2010.

Longview - Global Equity

HR View Comment & Rating



During the quarter, Phil Corbet, Managing Director of Longview, announced his retirement after 41 years in the financial industry. Phil has been replaced by Barbara Sanderson who joined Longview last year and previously worked as a consultant at State Street and an advisor at Profit&Non-Profit Finance. Also during the quarter, Stuart Tostevin joined the Board at Longview as an Executive Director after joining the company in 2014. Prior to this, Stuart worked at Fauchier Partners for 10 years.

We continue to rate the manager '5 - Preferred Manager'.

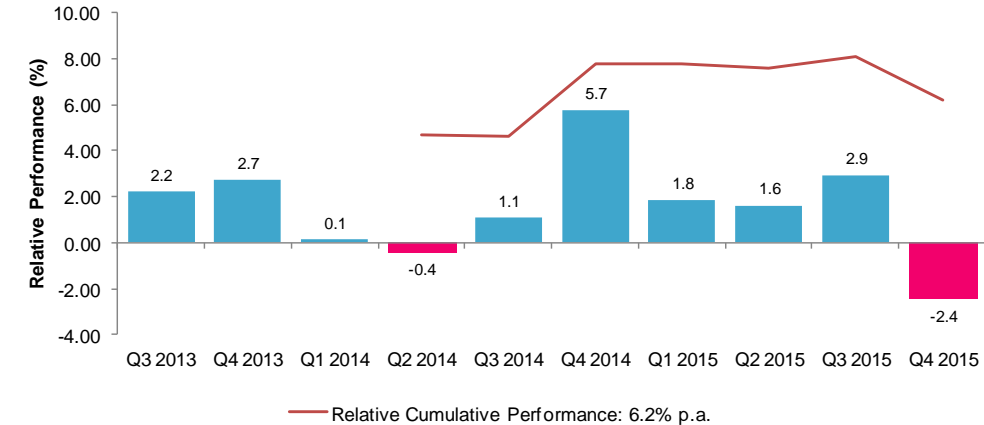
Performance Attribution Comment

The mandate underperformed the benchmark by -2.4% over the final quarter of 2015, delivering 5.4% in absolute terms. Longer term performance remains comfortably ahead of the benchmark.

The mandate's zero weight to the Energy sector, had a positive impact on relative performance as did the overweight to the IT sector. Software company SAP was the top individual contributor to mandate performance over the quarter as they reported strong earnings growth in its expanding Cloud business. Other contributors included tyre manufacturer Continental, who benefitted from a reduction in Chinese Sales Tax.

Detractors from performance included publishing firm Pearson. Pearson looked to be performing well during the first half of the year, but has since declined as a result of the decline in the US college book business. Having reviewed Pearson, Longview downgraded the quality rating and sold their position. Having been amongst the best performing stocks in the third quarter, U.S. auto parts retailer Advance Auto Parts underperformed in the fourth quarter after reporting disappointing third quarter earnings and announcing the departure of the CEO. Stock selection within the Consumer Discretionary and Healthcare sectors also had a negative impact on mandate performance.

Relative Quarterly and Relative Cumulative Performance [i]



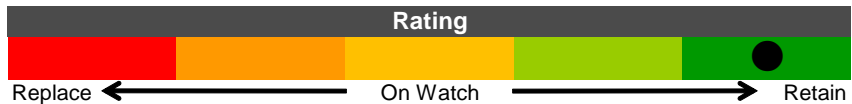
Performance Summary to 31 December 2015 [ii]

	3 Months (%)	12 Months (%)	Since Inception* (%)
Fund	5.4	7.3	15.7
Benchmark	7.9	3.3	7.4
Relative	-2.4	3.9	7.7

\* Inception date 16 Apr 2013.

Ruffer - Absolute Return

HR View Comment & Rating



We continue to rate Ruffer '5 - Preferred Manager'.

There were no significant changes to report over the quarter to 31 December 2015.

Page 88

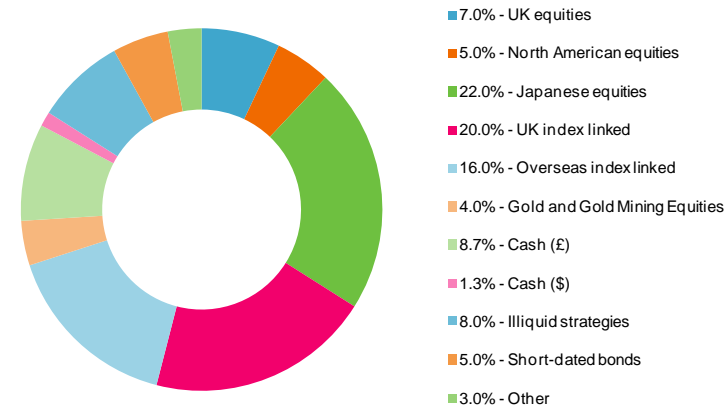
Performance Attribution Comment

The Ruffer Absolute Return Fund underperformed its benchmark over the quarter, returning -0.7% in absolute terms. The Fund has underperformed the benchmark over the year, but remains ahead over 3 years and since inception.

The Fund made gains during the first month of the quarter but these were more than offset by losses in the final two months to December. The allocation to index-linked gilts had a negative impact on relative returns as bond yields rose in anticipation of an increase in US interest rates. Ruffer have retained this defensive position in the expectation of higher inflation and negative real yields. The Fund's protection option strategies also detracted from performance as equity markets rebounded following the sell-off in Q3. A number of equity holdings in banking and commodities stocks underperformed the broader equity market.

The Fund's holding in Japanese equities had a positive impact on fund performance as the region rebounded following a disappointing Q3. Equity holdings in other regions including the US, Europe and the UK also had a small positive impact on relative performance. The Fund's weighting in equities is now at a historic low of c35%.

Asset Allocation



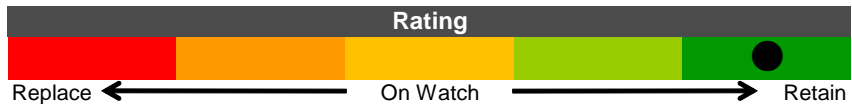
Performance Summary to 31 December 2015 <sup>[i]</sup>

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	-0.7	-2.4	5.4	4.8
Benchmark	0.1	0.5	0.5	0.6
Relative	-0.8	-2.9	4.9	4.2

\* Inception date 06 May 2010.

Newton - Absolute Return

HR View Comment & Rating



During Q4 2015 James Harries, the alternate manager for the Real Return strategy, resigned. Although Harries was the alternate lead for the strategy, it is Iain Stewart that has had overall responsibility for managing the Real Return Fund since its launch in 2004 and Matthew Brown has also supported Stewart as an investment manager since then. While the Fund draws on a range of inputs from various investment teams at the firm, we believe that the success, or otherwise, is still heavily reliant on Iain Stewart, and as we have previously communicated there is therefore a high level of key man risk.

In our view we do not think this warrants a downgrade of our manager rating. Firstly because we still view Iain Stewart as the key decision maker for the Real Return strategy and, secondly because we believe there is a 'Newton' approach to investing and that is demonstrated throughout the firm. We intend to monitor developments closely. We will update our views accordingly.

Performance Attribution Comment

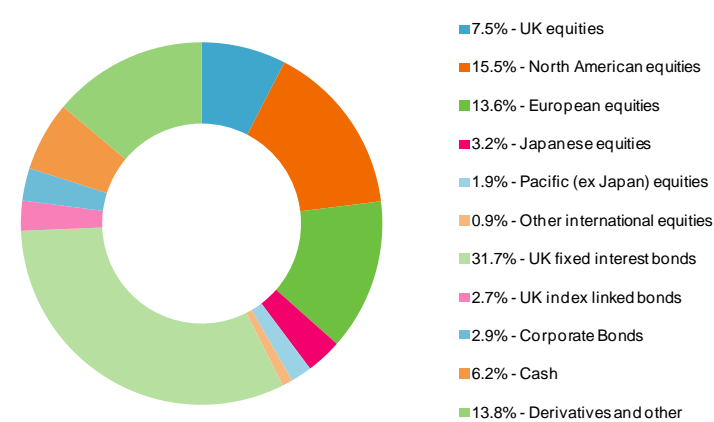
Over the quarter the Real Return Fund returned 1.3% in absolute terms, ahead of the LIBOR +4% target. Over 12 months and 3 years the Fund lags the LIBOR +4% target but since inception is in line with the target.

Following significant volatility and sell-offs during Q3, equity markets rebounded over the final quarter of 2015. The fund's return-seeking "core" had a positive impact on performance. Equities form a large proportion of this core and the quarter saw strong performance from its technology and pharmaceutical holdings. The allocation to alternative assets, including infrastructure and renewable energy assets, also contributed to fund performance as did the exposure to commodity related companies including Barrick Gold and Yamana Gold.

The fund's protection strategies had a negative impact on relative returns as risk assets delivered strong positive performance.

During the quarter the fund reduced its cash holdings and increased its government bond holdings. The manager also trimmed the equity holdings in Microsoft and SAP following a period of significant outperformance.

Asset Allocation <sup>[1] [i]</sup>



Performance Summary to 31 December 2015 <sup>[ii]</sup>

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	1.3	1.8	4.1	4.7
Benchmark	0.1	0.5	0.5	0.6
Relative	1.2	1.4	3.6	4.1

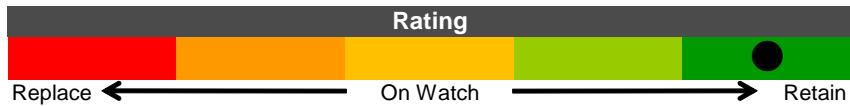
\* Inception date 06 May 2010.

[1] The Fund maintains a high level of derivatives protection. On a notional basis, 30% of the Fund is protected.

Source: [i] Fund Manager, [ii] DataStream, Hymans Robertson

M&G - Bonds

HR View Comment & Rating



There were no significant changes to report over the quarter to 31 December 2015.

We continue to rate the manager '5 - Preferred Manager' for fixed income.

Page 90

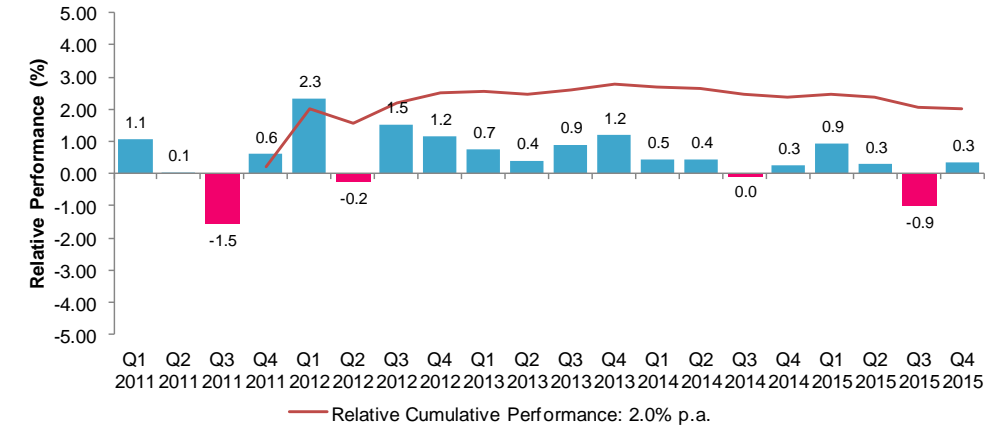
Performance Attribution Comment

M&G does not allocate between the corporate bonds and the absolute return bonds which it manages for the Fund. We have therefore provided performance estimates based on the sizes of the allocation to each. The current allocation of the M&G bond mandate is c.60% to the traditional portfolio and c.40% to the Alpha Opportunities fund.

The Alpha Opportunities fund delivered a positive absolute return of 1.0% over the quarter outperforming the LIBOR benchmark by 0.8%. The Corporate Fund also delivered a positive absolute return of 0.5% matching its benchmark.

Aggregate performance of the two funds was positive and outperformed the aggregate benchmark by 0.3%. The aggregate performance is consistently ahead of benchmark over the longer periods of one, three and five years.

Relative Quarterly and Relative Cumulative Performance



Performance Summary to 31 December 2015 <sup>[1]</sup> <sup>[2]</sup>

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	0.7	0.3	4.5	6.2
Benchmark	0.3	-0.3	2.7	4.1
Relative	0.3	0.6	1.7	2.0

[1] The longer term performance figures shown are for bonds only. Performance of the holding in the M&G property fund is no longer shown.

Source: [i] DataStream, Hymans Robertson

M&G - Bonds - Performance Attribution

Performance Attribution Performance [i]

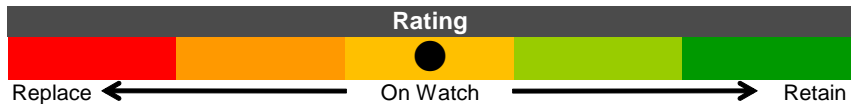
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute	0.5	1.0	0.7
	Benchmark	0.5	0.1	0.3
	Relative	0.0	0.8	0.3
12 Months (%)	Absolute	-0.2	1.2	0.3
	Benchmark	-0.4	0.5	-0.3
	Relative	0.1	0.7	0.6
3 Years (% p.a.)	Absolute	5.2	3.2	4.5
	Benchmark	4.9	0.5	2.7
	Relative	0.4	2.8	1.7
5 Years (% p.a.)	Absolute	7.9	3.9	6.2
	Benchmark	7.4	0.6	4.1
	Relative	0.5	3.3	2.0

Source: [i] DataStream, Hymans Robertson



Schroders - Property

HR View Comment & Rating



Over the quarter, there has been further change to the Schroder RECaP business. Keeran Kang and Gianlorenzo Polella have both left the business to respectively join Partners Group and a Sovereign Wealth Fund. In line with their previously stated intentions, Schroder has recruited to replace previous departures with Nick Prince joining as a Senior Analyst from Aviva and Alice Russell joining as a graduate recruit. Schroder also note that an offer has been made to an experienced portfolio manager. From an investment perspective, Schroder RECaP has added to its range of partnership funds with the addition of a regional office fund.

We currently retain our rating at '3 - On Watch', although this is presently under review.

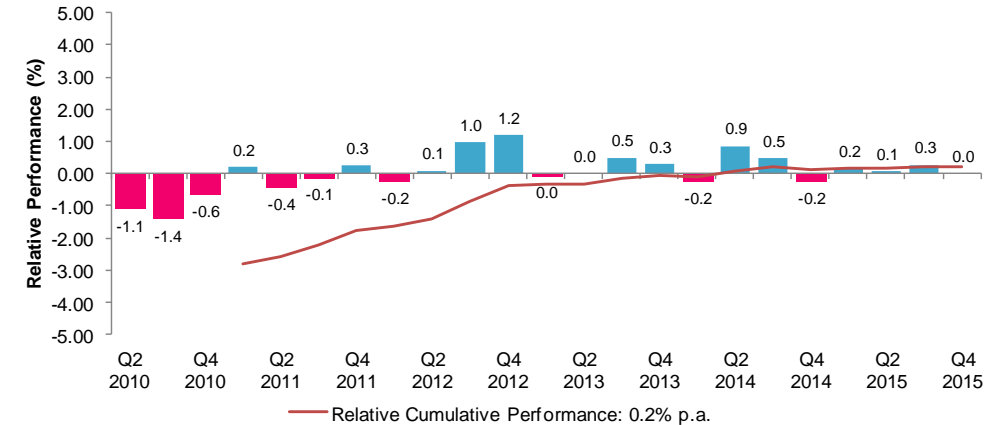
Performance Attribution Comment

Performance information was not available at the time of writing this report.

The IPD quarterly weighted average benchmark for Q4 has been used as a proxy for actual and benchmark performance.

We will issue an updated report once this information becomes available.

Relative Quarterly and Relative Cumulative Performance



Performance Summary to 31 December 2015 <sup>[i]</sup>

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (%)
Fund	3.1	13.3	13.8	9.6
Benchmark	3.1	12.8	13.0	9.2
Relative	0.0	0.5	0.7	0.4

\* Inception date 20 Feb 2010.



Summary of Benchmarks

Summary of Benchmarks

	Total Fund		Adams Street - Private Equity		Cash account		HarbourVest - Private Equity		L&G - 5yr ILG		L&G - Global Equities	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	38.0	<div><div></div><div></div><div>0.6</div></div>	-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	12.0	-2.3 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5	<div><div></div><div></div><div>0.5</div></div>	-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	5.0	<div><div></div><div></div><div>0.1</div></div>	-	-	-	-	-	-	100.0	0.0	-	-
UK Property	10.0	<div><div></div><div></div><div>2.0</div></div>	-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0	-0.3 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Private Equity	5.5	<div><div></div><div></div><div>0.5</div></div>	100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-2.0 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Cash	0.0	<div><div></div><div></div><div>2.0</div></div>	-	-	100.0	0.0	-	-	-	-	-	-
UK Financing Fund	1.0	-0.6 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	3.0	-0.5 <div><div></div><div></div><div></div></div>	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	2.8	0.4	0.0	1.9	2.8	0.1	5.0	0.1	15.5	-0.6

Summary of Benchmarks (Cont.)

Summary of Benchmarks

	L&G - UK Equities			Longview - Global Equity			M&G - Bonds			M&G - Infrastructure Fund			M&G - UK Financing Fund			Newton - Absolute Return		
	Target %	Difference %		Target %	Difference %		Target %	Difference %		Target %	Difference %		Target %	Difference %		Target %	Difference %	
Global Equity	-		-	100.0		0.0	-		-	-		-	-		-	-		-
UK Equity	100.0		0.0	-		-	-		-	-		-	-		-	-		-
Fixed Interest	-		-	-		-	62.6		-0.9	-		-	-		-	-		-
Index-Linked Gilts	-		-	-		-	-		-	-		-	-		-	-		-
UK Property	-		-	-		-	-		-	-		-	-		-	-		-
Infrastructure	-		-	-		-	-		-	100.0		0.0	-		-	-		-
Private Equity	-		-	-		-	-		-	-		-	-		-	-		-
Absolute Return Funds	-		-	-		-	-		-	-		-	-		-	100.0		0.0
Cash	-		-	-		-	-		-	-		-	-		-	-		-
UK Financing Fund	-		-	-		-	-		-	-		100.0	-		0.0	-		-
Absolute Return Bonds	-		-	-		-	37.5		0.9	-		-	-		-	-		-
Proportion of Total Assets	12.0	-2.3		5.0	1.3		6.5	0.0		1.0	-0.1		1.0	-0.6		10.0	-1.0	



Summary of Benchmarks (Cont.)

Summary of Benchmarks

	Ruffer - Absolute Return			Schroder - Property			State Street - Fundamental Indexation			UBS - Infrastructure		
	Target %	Difference %		Target %	Difference %		Target %	Difference %		Target %	Difference %	
Global Equity	-		-	-		-	100.0		0.0	-		-
UK Equity	-		-	-		-	-		-	-		-
Fixed Interest	-		-	-		-	-		-	-		-
Index-Linked Gilts	-		-	-		-	-		-	-		-
UK Property	-		-	100.0	-0.8		-		-	-		-
Infrastructure	-		-	-		-	-		-	100.0		0.0
Private Equity	-		-	-		-	-		-	-		-
Absolute Return Funds	100.0		0.0	-		-	-		-	-		-
Cash	-		-	0.0	0.8		-		-	-		-
UK Financing Fund	-		-	-		-	-		-	-		-
Absolute Return Bonds	-		-	-		-	-		-	-		-
Proportion of Total Assets	10.0	-1.0		10.0	2.1		17.5	-0.1		1.0	-0.2	

Benchmarks Summary Comment

The main points to note from this table are:

- The L&G global equity mandate and the Lazard global equity mandate are benchmarked against the FTSE All World Index. Longview is benchmarked against a similar index (the MSCI All Countries). The FTSE All World Index covers around 2800 global firms, with a large or mid size market capitalisation and constitutes around 90%-95% of the world's investible markets. The index focuses on around 45 different countries, including 24 in the so called developed markets, and 21 in the emerging markets. The approximate allocations of the index to the regional stock markets is as follows: 7% UK, 55% US, 15% Europe, 6% Asia (ex Japan), 9% Japan and 8% emerging markets.
- M&G does not allocate between the corporate bonds and the absolute return bonds which it manages. The target shown is an assumed target based on the size of the initial allocation of the Fund made to the M&G Alpha Opportunities fund (absolute return bonds).



# Performance Calculation Explanation

## Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$((1 + \text{Fund Performance}) / (1 + \text{Benchmark Performance})) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

Period	Arithmetic Method			Geometric Method			Difference
	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	0.10%
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	-1.24%
Linked 6 months			-0.25%			0.96%	-1.21%
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	0.34%

### Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.  
If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

### Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.  
If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.

**Pension Committee Agenda Item 10**

Report to: **Pension Committee**

Date: **8 February 2016**

By: **Chief Operating Officer**

Title: **LGPS Investment Pooling**

Purpose: **This report provides an update on the work that has been undertaken to consider the Government's LGPS Investment Pooling requirements, consultation on the Investment Regulations and seek approval regarding the best pooling option for the East Sussex Pension Fund.**

---

**RECOMMENDATIONS**

**The Committee is recommended to:**

1. **consider the report and to agree in line with the previous Committee recommendation that officers should concentrate on negotiating with ACCESS as the preferred option for the Fund, working with other like-minded funds within the ACCESS Group to create a pool of a minimum size of £25bn that meets the Government's criteria.**
  2. **authorises the Chief Finance Officer, in consultation with Chairman of the Pensions Committee, to submit the finalised response on the East Sussex Pension Fund's pooling option; the consultation on the LGPS - Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, to the Government by 19 February 2016. A copy of this submission will be circulated to members of both the Pension Committee and Pension Board.**
- 

**1. Background**

1.1 The Government announced that local authorities should put forward proposals to "pool investments to significantly reduce costs, while maintaining overall investment performance", with the publication of criteria/guidance for pooling LGPS fund assets into up to six British Wealth Funds. The East Sussex Pension Fund (ESPF) and other administering authorities are invited to come forward with their proposals for new pooled structures in line with the guidance to significantly reduce costs while maintaining overall investment performance, with the wider ambition of matching the infrastructure investment levels of the larger global pension funds.

1.2 Alongside the guidance, the Government published a consultation on the LGPS - Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, i.e., on "backstop" legislation that would allow the Secretary of State to determine the pooling arrangements for those administering authorities that do not come forward with sufficiently ambitious proposals to pool their assets with others.

1.3 The initial proposals are required by 19 February 2016, with refined and final proposals due by 15 July 2016.

**2. Special Pension Committee Meeting**

2.1 A report on the LGPS future investment pooling options was presented to the special meeting of the Pension Committee on 12 January 2016, where the Committee resolved to:

- a. note the DCLG Criteria regarding the LGPS Investment Pooling Proposals and Consultation on the Investment Regulations;
- b. approve options for pooling the East Sussex Pension Fund assets, and approve this option as the basis on which to submit the consultation response. Officers will concentrate on negotiating with ACCESS as the preferred option, in addition to exploring the Northern (Manchester) option.

### **3. Dialogue with the Northern Powerhouse (Manchester)**

3.1 Officers on Monday 25th January 2016 had a conference call with the Assistant Executive Director, Pensions, Tameside MBC, Greater Manchester Pension Fund (GMPF), who is the officer leading on the Northern Powerhouse asset pooling work. The outcome of the discussion was circulated by the Chief Finance Officer to the Committee through e-mail on Wednesday 27 February 2016.

3.2 Officers continue to engage with other funds within the ACCESS pool, and the Chair of the Pension Committee attended the ACCESS pool event on 2<sup>nd</sup> February 2016. The event provided ACCESS Chairs with the key features of the group of funds committed to or considering working together; aims of the ACCESS pool; and principles that will guide the actions, approach and decisions of the ACCESS pool.

### **4. East Sussex Pension Fund – Pooling Option**

4.1 Following the special Committee meeting on 12 January 2016 and consideration of pooling options for the East Sussex Pension Fund assets, with agreement to concentrate on negotiating with ACCESS as the preferred pool on which to submit the consultation response, officers have met with the other Funds linked to the ACCESS group and have worked on some principles for the pool, as directed by the Pension Committee. A draft of these is attached at Appendix 1. The funds are currently all externally managed and, from an initial assessment of data, over two thirds of the funds are covered by 12 existing investment managers.

4.2 ACCESS stands for ‘A Collection of Central, Eastern and Southern Shires’ – a working title. The following Funds have recommended to their committees to pool through the ACCESS Group:

- i. Norfolk
- ii. Cambridgeshire
- iii. Essex
- iv. Suffolk
- v. Northamptonshire
- vi. Kent
- vii. West Sussex
- viii. Isle of Wight

4.3 The funds above would create a pool of about £22bn, and it is considered highly likely that at least one of these funds (below) will pool with the ACCESS Group, therefore achieving the £25bn target. These include:

- a. *East Sussex*
- b. Hampshire
- c. Hertfordshire
- d. Bedfordshire

4.4 The creation of any pool is likely to incur significant set up costs, along with a requirement for significant officer time and member support. Initial estimates of the set up costs are likely to be in the region of £154k per fund over the next three years, but it is too early to be more precise until we know how many funds are involved and some of the structural decisions about how the pool is created are agreed. This is based on an equal share of costs per fund.

### **5. Next Steps**

5.1 If the Committee agrees the ACCESS pool, the next activities will include-

- Officers to formally attend meetings with the other Funds linked to the ACCESS group to move from preliminary discussions to delivering a firm proposal and help shape the outcome;
- Working on the draft submission to the Governments criteria in February, which will be circulated the Pensions Committee and Pension Board;
- Provide an update to the committee at its next meeting;
- Agreeing and signing of the draft Memorandum of Understanding of the ACCESS

Pool.

## Next Steps - summary

When	What	Who
Today	Agree objectives and principles	ACCESS member reps
By 19 February	Confirm membership/Sign Memorandum of Understanding	Individual funds
19 February	ACCESS pooling response to Government	Officers
March to June	Appoint professional advisors e.g. legal and investment	Officers
March to June	Investment analysis etc.	Officers
March to June	Governance options appraisal	Officers
March to June	Agree governance structure	ACCESS member reps
15 July	Final ACCESS pooling response to Government	ACCESS member reps

*Note – the next steps summary is an extract from the 2<sup>nd</sup> February 2015 ACCESS presentation to the ACCESS pool Chair's. The East Sussex Pension Fund was represented by the Pension Committee Chair (Cllr. Richard Stogdon).*

### 6. Conclusion and reasons for recommendations

6.1 The Government requires all Local Government Pension Funds to respond by 19 February 2016, setting out how they intend to pool their assets in the future and who they plan to form a pool with. The Committee is recommended to work with the ACCESS group to achieve the best outcome of assets pooling for the East Sussex Pension Fund.

#### KEVIN FOSTER

##### Chief Operating Officer

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Local Member(s): All  
Background Documents  
None

## ACCESS POOL

### Introduction

This note is based on discussion at a work-shop held on 7<sup>th</sup> January 2016 which was attended by a number of funds (most from the south and south east regions) who are committed to or are considering working together to create one of six £25bn plus LGPS investment pools.

## Principles of the ACCESS pool



In this note we set out a draft of:

- 1) Key features of the group of funds committed to or considering working together;
- 2) Aims of the ACCESS pool; and
- 3) Principles that will guide the actions, approach and decisions of the ACCESS pool.

### Key Features of ACCESS group of funds

**Common features of the group of funds likely to participate include:**

- 1) No single dominant fund. Funds range in size but with a small number of exceptions are broadly similar in size (most in the range £2-5bn)
- 2) Manageable number of funds for participation in governance (expect c9-11 funds)
- 3) Similarities in investment approach (asset types used) and similarities in managers used (top 12 managers by AUM cover 2/3rds of the assets of potential participants)
- 4) Although not a deciding criterion for pooling, the funds are reasonably close geographically which will be helpful for joint working and governance
- 5) All use external managers (no in-house management functions within the group of funds)
- 6) Participating funds have until now focused on **what** is the right approach to pooling before considering **who** they will work with
- 7) Blank canvas – all participating funds in at the beginning and are able to help shape design of the pool
- 8) No intention to set up an investment management business
- 9) A political



## Aims of the ACCESS Pool

### Aims and objectives of the ACCESS POOL

- 1) To provide a range of asset types necessary to enable participating funds to execute their locally decided investment strategies.
- 2) To enable funds to achieve the benefits of pooling investments while preserving the best aspects of what is currently done locally and the desired level of local decision making and control.
- 3) To help participating funds to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.

## Principles

### Principles of the ACCESS POOL

- 1) All participating funds will have an equitable voice in governance.
- 2) The pool's governance will reflect the participating funds' preferences in terms of which decisions are made locally by individual funds.
- 3) The participating funds will work collaboratively.
- 4) Decision making will be objective and evidence based.
- 5) The pool will maintain standards of professionalism and risk management appropriate to the responsibilities of managing one of the biggest pools of pension assets in the UK.
- 6) The pool will avoid unnecessary complexity in its approach. The pool will aim for simplicity in approach.
- 7) The pool will evolve its approach to meet the changing needs and objectives of participating funds.
- 8) The pool will be open to innovation that will enable it to better serve the pool's participants.
- 9) The pool will be established and run economically, avoiding unnecessary cost.
- 10) The pool's costs will be shared equitably.

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**Pension Committee Agenda Item 12**

Report to: **Pension Committee**

Date: **8 February 2016**

By: **Chief Operating Officer**

Title: **Pension Fund Budget for 2016/17**

Purpose: **This report outlines the 2016/17 budget for the Council's statutory function as the administering authority of the East Sussex Pension Fund.**

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**RECOMMENDATIONS**

**The Committee is required to approve the revenue budget for 2016/17 attached as Appendix 1 to this report.**

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**1. Background**

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Regulations also empower the Fund to admit employees of other 'defined' (e.g. other public bodies) bodies into the Fund.

1.2 The proposed 2016/17 budget for the Pension Fund has been put together to assist in the management of the Fund, so that the Council is able to perform its role as the administering authority in a structured way. The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund. Therefore it is appropriate that the Committee formally adopts an annual budget to assist with the discharge of its duties.

1.3 Expenditure for the Investment Management, Strategy & Pension Governance teams is included in the Business Services Department (BSD) budget and actual costs are invoiced to the Pension Fund at the end of the financial year. These expenses are a charge on the Pension Fund, and there is no direct charge to local authorities or other employer bodies for the costs detailed in this report.

1.4 The estimates do not incorporate any provision for investment fees earned by the alternative fund managers, and provision has been built into the budget for manager fees on £2.6 billion of assets.

**2. East Sussex Pension Fund (ESPF) Budget – 2016/17**

2.1 The budget outlined in this report will assist the Council in monitoring expenditure of the Fund's revenue budget in accordance with its requirement to manage resources effectively. The detail ESPF budget for 2016/17 is attached as Appendix 1. A comparison of the 2015/16 budget with the 2016/17 budget is shown below:

	2015/16	2016/17	
	Budget	Budget	Change
Description	£000	£000	£000
Pension Administration	1,620	1,250	(370)
Oversight and governance	590	680	90
Investment Management	9,010	8,850	(160)
<b>Total</b>	<b>11,220</b>	<b>10,780</b>	<b>(240)</b>

### 3. Analysis of Budget Movement

3.1 Pension Administration - The decrease in pension admin budget between 2015/16 and 2016/17 is primarily due a reduction in the GMP reconciliation work now due to take place in 2016/17.

3.2 Oversight and governance – The increase in the oversight and governance budget is due to the resources set aside for commissioning work re the ongoing LGPS investment pooling initiative.

3.3 Investment Management - The decrease in the Investment Strategy budget movement reflects the redistribution of the Lazard mandate to current managers, which attract slightly lower fees, and also the decrease in the value of the fund since 31 March due to the current market fluctuation. It is not possible to accurately estimate the fund investment management annual fees because they are linked to the market values of the assets being managed, which continually fluctuate.

### 4. Budget Monitoring

4.1 The budget will be monitored by officers with a quarterly report to the Pension Board throughout the year. Actual spend is detailed in the Annual Report and Accounts of the Pension Fund which are subject to external audit. As in previous years, the Pension Fund will participate in a number of benchmarking exercises during the year, which will provide a useful cost comparator with other LGPS funds.

### 5. Conclusion and recommendations

5.1 Pension Fund expenditure on investment and administration are a charge to the Pension Fund. There is no direct charge to local authorities or other employer bodies for the costs detailed in this report.

**KEVIN FOSTER**  
**Chief Operating Officer**

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Local Member(s): All

### **BACKGROUND DOCUMENTS**

none

## 2016/17 Pension Fund Revenue Budget

Description	2015/16 Budget £000	2016/17 Budget £000	Change £000	Narrative
<b>Pension Administration</b>				
Orbis Finance Support Services	50	40	(10)	Staff time in monitoring the administration of the Fund
Orbis Business Operations Support Services	770	770	-	Cost of the joint administration service
Administration System	300	340	40	Contract for the hosting of the Administration software
Guaranteed Minimum Pension	500	100	(400)	GMP Reconciliation work now due to take place in 2016/17
<b>Administration total</b>	<b>1,620</b>	<b>1,250</b>	<b>(370)</b>	
<b>Oversight and governance costs</b>				
Orbis Finance Support Services	240	200	(40)	Staff time spent on oversight and governance
Subscriptions	40	35	5	CIPFA Pension Network, LAPFF, Club Vita, LGPC etc.
Actuarial Fees	102	186	84	Outsource to contractors
Investment Consultancy	143	135	(8)	Outsource to contractors
Investment Pooling	-	50	50	Commissioning work for expert advice on investment pooling
External Audit Fee	29	29	-	External audit of the Annual Report
Internal Audit Fee	18	17	(1)	Control work performed by the Council's internal audit team
Legal Fees	9	10	1	Legal work commissioned for the fund
Performance Measurement Services	19	18	(1)	Investment performance monitoring service
Specific Actuarial Work*	160	180	20	Work performed by the actuary on the behalf of specific employers which is recharged to them
Other Income	(170)	(180)	(10)	Recovery of work provided by the actuary
<b>Oversight and governance total</b>	<b>590</b>	<b>680</b>	<b>90</b>	
<b>Investment Management</b>				
Investment Manager Fees	9,010	8,850	(160)	Fees paid to the investment managers
<b>Investment Management Total</b>	<b>9,010</b>	<b>8,850</b>	<b>(160)</b>	
<b>Total PF Budget</b>	<b>11,220</b>	<b>10,780</b>	<b>(440)</b>	

\*Note – The fund occasional request specific work to be carried out the actuary on the behalf of specific employers, of which the full costs are recoverable from employers.

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**Pension Committee Agenda Item 13**

Report to: **Pension Committee**

Date: **8 February 2016**

By: **Chief Operating Officer**

Title of report: **Environmental, Social, Governance and Investment Strategy**

Purpose of report: **To ensure that members are aware of the legal position of trustees in respect of the investment in certain companies which might be considered to be 'ethically compromised'.**

**RECOMMENDATION**

**The Committee is requested to consider the contents of this report.**

**1. Background**

1.1 The Local Government Pension Scheme (LGPS) regulations identify the County Council as the administering authority for the East Sussex Pension Fund (ESPF). The role of the administering authority is to manage the pension scheme on behalf of all the members of the scheme, their employers, and the investment strategy to secure the best realistic return over the long-term, given the need to control for risks.

1.2 The ESPF invested in various company shares and bonds, property and cash around the world. The rates achievable on long term investments allow them to ensure affordable employer contributions rates, enabling authorities to spend more money on front-line services.

1.3 With reference to the Committee previous deliberation on the Environmental, Social and Governance (ESG), i.e., ethical issues and investment strategy, it is appropriate for officers to put this paper forward to the Committee for consideration.

**2. Fiduciary responsibility**

2.1 This responsibility given to the County Council by the LGPS regulations is delegated by the Council to the Pension Committee. The members of the Pension Committee are required to act in the same way as trustees of pension schemes within other sectors of the economy and they have a fiduciary responsibility to protect the pension benefits of members by securing the best realistic return over the long-term, and keeping contributions affordable.

2.2 It would not be satisfactory merely to refer in a generalised way to ethical considerations being taken into account without giving an indication of how that is to be done. Such a policy will need to be limited by reference to an overriding requirement that it is not to risk material financial detriment or result in a failure to invest in a sufficiently wide range of investments. It would be appropriate to build in some regard for professional advice.

2.3 Article 18(1) of the IORP Directive requires assets to be invested in the best interests of members and beneficiaries and, in the event of a conflict of interest, in the sole interests of members and beneficiaries.

2.4 Nigel Giffin QC previously advised the LGPS Advisory Board that an administering authority for Local Government Pension Scheme Funds may choose to take into account, e.g., the public health implications of tobacco investment, but only if the result of such a choice is the substitution of those investments with assets producing a similar return.

### **3. ESPF approach to ethical investments**

3.1 The investment strategy of the ESPF fund is detailed in its Statement of Investment Principles (SIP) and is broadly in line with that of other LGPS funds, i.e. to secure the best realistic return over the long-term, to meet pension commitments, within an acceptable level of risk, by ensuring there is diversification across all asset classes and keeping employer contribution rates stable. The fund pursues this strategy by appointing expert specialist investment managers who have an unconstrained ability to invest within their individual mandates.

3.2 The SIP also details the fund's policy on socially responsible investments. This states that the Fund is permitted to adopt a policy of socially responsible investment providing they treat the financial interests of scheme members as paramount and their investment policies are consistent with the standards of care and prudence required by law. The financial performance of the fund, proper diversification and prudence are paramount.

3.3 The Fund also requires their segregated fund managers to be active in their constructive shareholder engagement with companies regarding socially responsible investment issues and the proactive engagement of fund managers with these companies does influence positive change.

3.4 The Fund does not interfere in the day-to-day investment decisions of the Fund's investment managers, and does not actively invest or disinvest from companies solely or largely for social, ethical or environmental reasons. The Fund will listen to special interest groups that may oppose some of the Fund's investments, for example in tobacco, alcohol, fracking, gambling or pharmaceuticals, but are clear that this cannot detract from the Fund's duty.

3.5 The new investment regulations are like to result in the Fund taking a prudential approach, demonstrating that it has given consideration to the suitability of different types of investment, has ensured an appropriately diverse portfolio of assets and has ensured an appropriate approach to managing risk. The *new* investment strategy statement is required to cover the Fund's environmental, social and corporate governance policy.

3.6 In the Fund's view, simply disinvesting from a particular company is a denial of responsibility. The Fund believes that responsible institutional investors should seek to influence companies' environmental, human rights and other policies by positive use of shareholder power. The Fund does reserve the right to, on a case by case basis; apply ethical or environmental criteria to investments if it is considered relevant and appropriate.

3.7 This policy is enshrined within the Investment Objectives - Section 3 of the Fund's Statement of Investment Principles, extract is shown at appendix 1.

### **4. Local Authority Pension Fund Forum**

4.1 The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is a coalition of around 68 LGPS Funds, which seeks to engage with companies on behalf of their member funds. LAPFF actively considers the issue of ESG investments, in particular issues relating to poor labour practices, poor wage equality, the arms trade, tobacco and major oil companies.

4.2 The Fund is concerned about ESG, (including ethical investment) issues, and works both at a fund and a collective level through LAPFF to ensure engagement. The fund believes active engagement with investee companies is the preferred option to bring about change whilst managing overall investment risk issues. The approach of direct and collaborative engagement contrasts with blanket divestment. Once an asset owner divests, their ability to influence both the short and long-term direction of individual companies and the national and international energy sector is severely curtailed.

### **5. What are other LGPS funds doing?**

5.1 A number of other LGPS funds have reviewed their policy on ESG and some funds have taken a different approach but have stayed within legal advice, e.g. an organisation recently



switched their passive assets to “Carbon-tilt” indices, and some have put in place explicit responsible investment beliefs.

## **6. Conclusion and recommendations**

6.1 The cornerstone of the ESPF’s policy on ethical investment is their interpretation of the legal position. The Committee should take into accounts ethical, environmental, governance, or any other non-commercial policy when considering investments generally or selecting fund managers. The Fund would seeks to use its influence as a corporate investor to positively influence company behaviour, although it reserves the right to apply ethical or environmental criteria on a case by case basis if considered relevant and appropriate.

6.2 Trustees and the fund managers have a duty to consider the full range of investment options open to them and their decisions should be based on the expected investment performance of the asset. The primary objective of the pension fund is to secure the best realistic return over the long-term to meet future commitments to beneficiaries, while keeping employer contributions as low as possible.

**KEVIN FOSTER**

**Chief Operating Officer**

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Local Member(s): All

## **BACKGROUND DOCUMENTS**

East Sussex Pension Fund - Statement of Investment Principles

### **An extract from the ESPF Statement of Investment Principles**

#### ***Overall Responsibility***

East Sussex County Council is the designated statutory body responsible for administering the East Sussex Pension Fund (Fund) on behalf of the constituent Scheduled and Admitted Bodies. The local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 require administering authorities of pension funds to prepare and review, from time to time, a written statement setting out the investment policy for their Fund. Any material change in investment policy must be included in a revised Statement of Investment Principles (SIP) within six months of the change.

### **3 Investment Objectives**

#### **3.1 Funding objectives**

The Committee will translate its objectives into a suitable strategic asset allocation benchmark for the Fund (the current asset allocation can be found on Page 4). The strategic benchmark is reflected in the investment structure and this comprises a mix of segregated and pooled (both active and passive) manager mandates. The Fund benchmark is set to be an appropriate balance between generating a satisfactory long-term return on investments whilst taking into account of market volatility and risk and the nature of the Fund's liabilities. The Committee monitors investment strategy relative to the agreed asset allocation benchmark.

#### **3.2 Investment Managers**

The investment managers appointed to manage the Fund's assets are summarised on page 4. The investment managers will be given full discretion over the choice of individual stocks against their respective benchmarks and are expected to maintain a diversified portfolio.

#### **3.3 Kinds of investments to be held**

The Fund may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index-linked bonds, cash and property (not direct), using pooled funds where agreed.

The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management to hedge specific risks.

The current limits are set out in the Policy Guidelines for Investment (Page 4). The strategic asset allocation of the Fund includes a mix of asset types across a range of geographies in order to provide diversification of returns.

#### **3.4 Balance between different kinds of investments**

The asset allocation benchmark (see page 4) and performance target is based on consideration of the liability profile of the Scheme.

The appropriate balance is required between maximising the long-term return on investments and minimising short-term volatility and risk. Within each major market the investment managers will hold a diversified portfolio of stocks or will invest in pooled funds to achieve this diversification.

### **3.5 Risk**

The adoption of an asset allocation benchmark (as described above) and the explicit monitoring of performance relative to a performance target, constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way as to enhance returns.

The appointment of more than one Investment Manager introduces a meaningful level of diversification of manager risk and provides some protection against one manager producing poor investment returns.

### **3.6 Expected return on investments**

The investment performance achieved by the Fund over the long term is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

### **3.7 Realisation of investments**

The majority of assets held by the Fund are quoted on major stock markets and may be realised quickly if required. Property investments, which are relatively illiquid, currently make up a modest proportion of the Fund's assets and are all invested through property unit trusts or life funds. However some of the Fund's alternative assets in Private Equity and Infrastructure are invested via Fund of Fund managers and are of an illiquid nature to provide better performance in the long term.

### **3.8 Social, environmental and ethical considerations**

Issues surrounding socially responsible investment have been considered and an 'Active Shareholder Approach' to encourage companies has been adopted to promote best ethical and environmental principles without jeopardising the investment performance of the Fund. When selecting investments for purchase, retention or sale, Fund Managers are able to invest in all companies, subject to the specific restrictions set out in the Policy Guidelines (page 8) in order to achieve their performance targets. But they have been encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in all key areas of business. The key areas are:

- Corporate governance
- Employment standards
- Human rights and
- Environmental standards
- 

### **3.9 Exercise of voting rights**

Strong Corporate governance has been promoted and the Fund has delegated the exercise of its voting rights to the Fund Managers (subject to the Fund's guidelines) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The Fund Managers base their corporate governance policies on the Stock Exchange Combined Code and provide the Fund with a copy of their policy from time to time. The Fund Managers are encouraged to vote in line with its guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. In February 2014 the Fund resolved to subscribe to the Local Authority Pension Fund Forum (LAPFF). LAPFF is the UK's leading collaborative shareholder engagement group. The Forum provides a unique opportunity for Britain's local authority pension funds to discuss investment issues and shareholder engagement.

Report to: **Pension Board**

Date: **4 February 2016**

By: **Assistant Chief Executive**

Title: **Policies of the Administering Authority**

Purpose: **To provide Board members with information on East Sussex County Council policies and procedures regarding conflicts of interest, record keeping/meeting attendance, and data protection and freedom of information**

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## RECOMMENDATIONS

**The Pension Board is recommended to note the information on East Sussex County Council policies and procedures detailed in this report**

---

### 1. Background

- 1.1 As the East Sussex Local Government Pension Scheme (LGPS) Manager, East Sussex County Council (ESCC) is responsible for determining the responsibilities and functions of the East Sussex Pension Board (PB) in accordance with the requirements of the Public Service Pensions Act (2013).
- 1.2 Details of Pension Board responsibilities and functions are detailed in the ESCC constitution (*Part 3 Table 5*):  
<https://new.eastsussex.gov.uk/yourcouncil/about/keydocuments/constitution/> (the section relating to the PB is included as **Appendix 1** to this report).
- 1.3 Responsibilities that are specific to the PB are listed in the relevant section of the ESCC constitution (see above). More generally, members of all ESCC committees, including the PB, are required to abide by the ESCC Code of Conduct for Members. This is set out in *Part 5 Table 1* of the ESCC constitution (see **Appendix 2**). Other general rules and procedures for the conduct of meetings, access to information etc. are detailed in *Parts 4 and 5* of the constitution ('Rules of Procedure' and 'Codes & Protocols') – see the link above.

### 2. Details

- 2.1 **Conflicts of Interest.** *Part 2* of the ESCC Code of Conduct for Members details how Members should respond to potential conflicts of interest that may arise when particular issues are being considered. PB members are required to act in accordance with this Code.
- 2.2 **Record Keeping/Meeting Attendance.** *Part 4 Table 1* of the ESCC constitution details the 'standing orders' that determine how ESCC committees, sub-committees and other bodies are to conduct their business. Standing Order 7 relates to member attendance at meetings and notes that: "The Assistant Chief Executive shall hold a record of members' attendances at meetings of the County Council, Committees, Sub-Committees and Panels".
- 2.3 **Data Protection and Freedom of Information.** *Part 4 Table 2* of the constitution details ESCC committee procedures regarding public access to information. PB members should also note that the Code of Conduct for Members (point 4.(a)) requires all Members to

maintain the restrictions applying to any confidential information they may have access to –  
e.g. confidential committee papers.

### **3. Conclusion and recommendation**

- 3.1 Pension Board members are asked to note ESCC policies and procedures, conflicts of interest, record keeping/meeting attendance, data protection and freedom of information.

PHILIP BAKER  
Assistant Chief Executive

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## **Constitution and terms of reference of the East Sussex Pension Board**

### **1. Introduction**

- 1.1 The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions – as well as the relevant Pension Regulator’s codes of practice. This role is one of providing assurance in and governance of the scheme administration.
- 1.2 The \*scheme manager (East Sussex County Council – ESCC) will provide the necessary input into the Pension Board to support the Board to deliver on its assurance responsibilities. This may require their attendance at meetings at the request of the Board.
- 1.3 The terms of reference, membership of the Pension Board and any variations thereof are determined by the Scheme Manager, i.e. ESCC.

### **2. Objectives of the Pension Board**

- 2.1 To help to ensure that the East Sussex Pension Fund (ESPF) is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 2.2 To provide assistance to East Sussex County Council as the LGPS Scheme Manager in securing compliance with:
  - LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
  - requirements imposed in relation to the LGPS by the Pensions Regulator
  - the agreed investment strategy
  - any other matters as the LGPS regulations may specify.
- 2.3 To assist with securing effective and efficient governance and administration of the LGPS for the East Sussex Pension Fund by:
  - Seeking assurance that due process is followed with regard to Pension Committee, and any identified issues raised by Board members.
  - Retaining an overview of LGPS policy and strategy and business plan timetable.
  - Making representations and recommendations to the Pension Committee as appropriate.
  - Considering and, as required, responding to any Government / Responsible Authority performance data concerning the local fund.
- 2.4 The role of the Board will be oversight of these matters and not decision making.

### **3. Management and operation of the Pension Board**

- 3.1 The Pension Board shall:
  - meet at least 4 times per year
  - have the power to establish sub committees or panels as required
  - agree a programme of training and development for its members.

- provide the Scheme Manager (ESCC) with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
- ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- consider any issue raised by any Board Member in connection with the Board's work.
- produce an annual report outlining the work of the Board throughout the scheme year, which will help to –
  - inform all interested parties about the work undertaken by the Panel
  - assist the panel in reviewing its effectiveness and identifying improvements in its future operations.
- help to ensure that decisions made by ESCC are fully legally compliant, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary;
- monitor administrative processes and supporting continuous improvements;
- ensure the scheme administrator supports employers to communicate the benefits of the LGPS Pension Scheme to scheme members and potential new members.

#### **4. Membership - composition of the Pension Board**

##### **4.1 The Pension Board shall consist of:**

- a) **3 employer representatives** - employer representatives that can offer the breadth of employer representation for the ESPF. (Regulation 107 of the Pension Act permits elected members to sit on a local pension board. However, under Regulation 107(3), elected members or officers of ESCC (as the Scheme Manager), who are responsible for the discharge of any function under the Principal 2013 Regulations, may not sit on the Pension Board.)
- b) **3 scheme member representatives** - member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners).
- c) **1 Independent Chair**

##### **4.2 The Pension Board shall be chaired by an Independent Chair.**

#### **5. Appointment of members of the Pension Board**

- 5.1 The appointment process has been approved by the Governance committee
- 5.2 All appointments to the Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair and Vice Chair.

#### **6. Term of office**

- 6.1 The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.
- 6.2 A Board member who wishes to resign shall submit their resignation in writing to the Pension Board Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.



6.3 The role of the Pension Board members requires the highest standards of conduct and the Code of Conduct of the East Sussex County Council will apply to the Board's members. The County Council's Standards Committee will monitor and act in relation to the application of the Code.

6.4 Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member, which will be in accordance with the Code of Conduct of the East Sussex County Council.

## **7. Independent Chair**

7.1 The Independent Chair will be the independent member appointed for a term of 4 years by Governance Committee or such time as resolved by the Governance Committee. A job description approved by the Committee will be used to identify the candidate best suited to the role.

7.2 It will be the role of the Chair to -

- Settle with officers the agenda for a meeting of the Board
- Manage the meetings to ensure that the business of the meeting is completed
- Ensure that all members of the Board show due respect for process and that all views are fully heard and considered
- Strive as far as possible to achieve a consensus as an outcome
- Ensure that the actions and rationale for decisions taken are clear and properly recorded.

7.3 Removal of the independent chair will be in accordance with the Code of Conduct of the East Sussex County Council and the County Council's Standards Committee decision.

## **8. Support arrangements**

8.1 ESCC will provide secretariat, administrative and professional support to the Pension Board and as such will ensure that:

- meetings are timetabled for at least four times per year
- adequate facilities are available to hold meetings
- an annual schedule of meetings is produced
- suitable arrangements are in place to hold additional meetings if required papers are distributed 7 days before each meeting except in exceptional circumstances
- minutes of each meeting are normally circulated 7 working days following each meeting.

## **9. Expert advice and information**

9.1 The Board will have access to professional advice and support provided by officers of East Sussex Pension Fund and, via them and where appropriate, advisers to the East Sussex Pension Fund.

9.2 Insofar as it relates to its role, the Pension Board may also:

- request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund
- examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.

- access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major decisions, i.e., investment strategy, triennial valuation, etc.,
- access to professional advice regarding non major decisions will require the approval of the Pension Committee for additional resources.

## **10. Knowledge and Skills**

10.1 Board members will be required to have the 'capacity' to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

- the scheme rules
- the schemes administration policies
- the Public Service Pensions Act (i.e. being conversant with pension matters relating to their role).

10.2 A programme of updates and training events will be organised. Board members will be encouraged to undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.

## **11. Minutes**

11.1 The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

## **12. Standards of Conduct**

12.1 The main elements of East Sussex County Council's Code of Conduct shall apply to Board members.

## **13. Access to the Public and Publication of Pension Board information**

13.1 Members of the public may attend the Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in East Sussex County Council's Constitution.

13.2 Up-to-date information will be posted on the East Sussex Pension Fund website showing:

- Names and information of the Pension Board members
- How the scheme members and employers are represented on the Pension Board
- Responsibilities of the Pension Board as a whole
- Full terms of reference and policies of the Pension Board and how it operates.

## **14. Expense reimbursement, remuneration and allowances**

14.1 All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the East Sussex Council's Constitution. The Chair's remuneration will be agreed on appointment. All costs will be recharged to the Pension Fund.

## **15. Accountability**

15.1 The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the National Scheme Advisory Board. The National Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the DCLG) and the Scheme Manager (in this case East Sussex County Council). The Pensions Regulator will report to the Responsible

Authority (again, DCLG) but will also be a point of escalation for whistle blowing or similar issues.

- 15.2 In addition the Pension Board will continue to provide regular updates to the Pension Committee governance process. ESPF officers will be responsible for the contractual arrangements.

## **16. Decision Making Process**

- 16.1 Employer representatives and scheme member representatives have voting rights albeit the Board is expected to operate on a consensus basis.
- 16.2 In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected. The scheme manager shall be alerted when a decision is reached in this manner.

## **17. Attendance and quorum**

- 17.1 Four of the voting members of the Pension Board shall represent the quorum for Board meetings to discharge business. The Chair or Vice Chair must be present for any meeting to proceed.
- 17.2 Advisors and co-opted persons do not count towards the quorum.

## **18. Conflicts of Interest**

- 18.1 The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member's tenure.

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## Code of Conduct for Members

On their election or co-option to the East Sussex County Council, members are required to sign an undertaking to comply with the authority's Code of Conduct.

This Code of Conduct, adopted by the authority on 20 July 2012, is set out below. It is made under Chapter 7 of the Localism Act 2011 and includes, as standing orders made under Chapter 7 of that Act and Schedule 12 of the Local Government Act 1972, provisions which require members to leave meetings in appropriate circumstances, while matters in which they have a personal interest are being considered.

### Part 1 – General provisions

#### Introduction and interpretation

1. —(1) This Code applies to **you** as a member of the authority, when acting in that capacity.

(2) This Code is based upon seven principles fundamental to public service, which are set out in **Appendix 1**. You should have regard to these principles as they will help you to comply with the Code.

(3) If you need guidance on any matter under this Code you should seek it from the authority's monitoring officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.

(4) It is a criminal offence to fail to notify the authority's monitoring officer of a disclosable pecuniary interest, to take part in discussions or votes at meetings, or to take a decision where you have disclosable pecuniary interest, without reasonable excuse. It is also an offence to knowingly or recklessly to provide false or misleading information to the authority's monitoring officer.

(5) Any written allegation received by the authority that you have failed to comply with this Code will be dealt with by the authority under the arrangements which it has adopted for such purposes. If it is found that you have failed to comply with the Code, the authority has the right to have regard to this failure in deciding -

(a) whether to take action in relation to you and

(b) what action to take.

(6) In this Code—

“authority” means East Sussex County Council

“Code” means this Code of Conduct

“co-opted member” means a person who is not a member of the authority but who-

(a) is a member of any committee or sub-committee of the authority, or

(b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority,

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee.

"meeting" means any meeting of—

(a) the authority;

(b) the executive of the authority

(c) any of the authority's or its executive's committees, sub-committees, joint committees, joint sub-committees, or area committees;

"member" includes a co-opted member.

“register of members’ interests” means the authority's register of members' pecuniary and other interests established and maintained by the authority's monitoring officer under section 29 of the Localism Act 2011.

## **Scope**

**2.** —(1) Subject to sub-paragraphs (2) and (3), you must comply with this Code whenever you—

(a) conduct the business of your authority (which, in this Code, includes the business of the office to which you are elected or appointed); or

(b) act, claim to act or give the impression you are acting as a representative of your authority,

and references to your official capacity are construed accordingly.

(2) This Code does not have effect in relation to your conduct other than where it is in your official capacity.

(3) Where you act as a representative of your authority—

(a) on another relevant authority, you must, when acting for that other authority, comply with that other authority's code of conduct; or

(b) on any other body, you must, when acting for that other body, comply with your authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

### **General obligations**

**3.** —(1) You must treat others with respect.

(2) You must not—

(a) do anything which may cause your authority to breach any of its equality duties (in particular as set out in the Equality Act 2010);

(b) bully any person;

(c) intimidate or attempt to intimidate any person who is or is likely to be—

(i) a complainant,

(ii) a witness, or

(iii) involved in the administration of any investigation or proceedings, in relation to an allegation that a member (including yourself) has failed to comply with his or her authority's code of conduct; or

(d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.

**4.** You must not—

(a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—

(i) you have the consent of a person authorised to give it;

(ii) you are required by law to do so;

- (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
- (iv) the disclosure is—

- (a) reasonable and in the public interest; and

- (b) made in good faith and in compliance with the reasonable requirements of the authority; or

- (b) prevent another person from gaining access to information to which that person is entitled by law.

**5.** You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

**6.** You—

- (a) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage;

- (b) must, when using or authorising the use by others of the resources of your authority—

- (i) act in accordance with your authority's reasonable requirements;

- (ii) ensure that such resources are not used improperly for political purposes (including party political purposes); and

- (c) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

**7.** —(1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by—

- (a) your authority's chief finance officer; or

- (b) your authority's monitoring officer,

where that officer is acting pursuant to his or her statutory duties.

(2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by your authority.



## Part 2 – Interests

### Personal interests

8. – (1) The interests described in paragraphs 8(3) and 8(5) are your personal interests and the interests in paragraph 8(5) are your pecuniary interests which are disclosable pecuniary interests as defined by section 30 of the Localism Act 2011.

(2) If you fail to observe Parts 2 and 3 of the Code in relation to your personal interests-

(a) the authority may deal with the matter as mentioned in paragraph 1(5) and

(b) if the failure relates to a disclosable pecuniary interest, you may also become subject to criminal proceedings as mentioned in paragraph 1(4).

(3) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

(ii) any body—

(a) exercising functions of a public nature;

(b) directed to charitable purposes; or

(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

(iii) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £50;

(b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of (in the case of authorities with electoral divisions or wards) other council tax payers,

ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision;

(4) In sub-paragraph (3)(b), a relevant person is—

(a) a member of your family or a close friend; or

(b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;

(c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or

(d) any body of a type described in sub-paragraph (3)(a)(i) or (ii).

(5) Subject to sub-paragraphs (6) and (7), you have a personal interest which is also a disclosable pecuniary interest as defined by section 30 of the Localism Act 2011 in any business of your authority where (i) you or (ii) your partner have an interest within the following descriptions:

Interest	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)—

Securities	<p>(a) the landlord is the relevant authority; and  (b) the tenant is a body in which the relevant person has a beneficial interest.</p> <p>Any beneficial interest in securities of a body where—  (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and  (b) either—  (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or  (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>
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These descriptions on interests are subject to the following definitions;

‘body in which the relevant person has a beneficial interest’ means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

‘director’ includes a member of the committee of management of an industrial and provident society;

‘land’ includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

‘M’ means the person M referred to in section 30 of the Localism Act 2011;

‘member’ includes a co-opted member;

‘relevant authority’ means the authority of which M is a member;

‘relevant period’ means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) of the Localism Act 2011;

‘relevant person’ means M or any other person referred to in section 30(3)(b) of the Localism Act 2011;

‘securities’ means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

(6) In sub-paragraph (5), your partner means—

(a) your spouse or civil partner,

(b) a person with whom you are living as husband and wife, or

(c) a person with whom you are living as if you were civil partners,

(7) In sub-paragraph (5), any interest which your partner may have is only treated as your interest if you are aware that that your partner has the interest.

### **Disclosure of personal interests (See also Part 3)**

**9.** —(1) Subject to sub-paragraphs (2) to (6), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which any matter relating to the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

(2) If the personal interest is entered on the authority's register there is no requirement for you to disclose the interest to that meeting, but you should do so if you wish a disclosure to be recorded in the minutes of the meeting.

(3) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

(4) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest and, if also applicable, that it is a disclosable pecuniary interest, but need not disclose the sensitive information to the meeting.

(5) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision on any matter in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

(6) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000.

### **Prejudicial interest generally**

**10.** —(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where either-

(a) the interest is a disclosable pecuniary interest as described in paragraph 8(5), or

(b) the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

(2) For the purposes of sub-paragraph (1)(b), you do not have a prejudicial interest in any business of the authority where that business—

(a) does not affect your financial position or the financial position of a person or body described in paragraph 8;

(b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or

(c) relates to the functions of your authority in respect of—

- (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
- (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
- (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
- (iv) an allowance, payment or indemnity given to members;
- (v) any ceremonial honour given to members; and
- (vi) setting council tax or a precept under the Local Government Finance Act 1992.

### **Interests arising in relation to overview and scrutiny committees**

**11.** You also have a personal interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—

(a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and

(b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

### **Effect of prejudicial interests on participation**

**12.** —(1) Subject to sub-paragraph (2) and (3), where you have a prejudicial interest in any matter in relation to the business of your authority—

(a) you must not participate, or participate further, in any discussion of the matter at any meeting, or participate in any vote, or further vote, taken on the matter at the meeting and must withdraw from the room or chamber where the meeting considering the matter is being held—

- (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
- (ii) in any other case, whenever it becomes apparent that the matter is being considered at that meeting;

unless you have obtained a dispensation from your authority's monitoring officer or standards committee;

(b) you must not exercise executive functions in relation to that matter; and

(c) you must not seek improperly to influence a decision about that matter.

(2) Where you have a prejudicial interest in any business of your authority which is not a disclosable pecuniary interest as described in paragraph 8(5), you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence

relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

(3) Where you have a prejudicial interest which is not a disclosable pecuniary interest as described in paragraph 8(5), arising solely from membership of any body described 8(3)(a)(i) or 8(3)(a)(ii)(a) then you do not have to withdraw from the room or chamber and may make representations to the committee but may not participate in the vote.

## **Part 3 – Registration of Interests**

### **Registration of members' interests**

**13.** —(1) Subject to paragraph 14, you must, within 28 days of—

(a) this Code being adopted by the authority; or

(b) your election or appointment to office (where that is later),  
register in the register of members' interests details of-

- (i) your personal interests where they fall within a category mentioned in paragraph 8(3)(a) and
- (ii) your personal interests which are also disclosable pecuniary interests where they fall within a category mentioned in paragraph 8(5)

by providing written notification to your authority's monitoring officer.

(2) Subject to paragraph 14, you must, within 28 days of becoming aware of any new personal interest falling within sub-paragraphs (1)(b)(i) or (1)(b)(ii) or any change to any personal interest registered under sub-paragraphs (1)(b)(i) or (1)(b)(ii), register details of that new personal interest or change by providing written notification to your authority's monitoring officer.

### **Sensitive information**

**14.** —(1) Where you consider that the information relating to any of your personal interests is sensitive information, and your authority's monitoring officer agrees, the monitoring officer shall not include details of the interest on any copies of the register of members' interests which are made available for inspection or any published version of the register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.

(2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is

no longer sensitive information, notify your authority's monitoring officer asking that the information be included in the register of members' interests.

(3) In this Code, "sensitive information" means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

## **Dispensations**

**15** - (1) The standards committee, or any sub-committee of the standards committee or the monitoring officer may, on a written request made to the monitoring officer of the authority by a member, grant a dispensation relieving the member from either or both of the restrictions in paragraph 12(1)(a) (restrictions on participating in discussions and in voting), in cases described in the dispensation.

(2) A dispensation may be granted only if, after having had regard to all relevant circumstances, the standards committee, its sub-committee or the monitoring officer.—

(a) considers that without the dispensation the number of persons prohibited by paragraph 12 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,

(b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,

(c) considers that granting the dispensation is in the interests of persons living in the authority's area,

(d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by paragraph 12 from participating in any particular business to be transacted by the authority's executive, or

(e) considers that it is otherwise appropriate to grant a dispensation.

(3) A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.

(4) Paragraph 12 does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph.



## **APPENDIX 1**

### **The Seven Principles of Public Life**

#### *Selflessness*

1. Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

#### *Honesty and Integrity*

2. Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

#### *Objectivity*

3. Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

#### *Accountability*

4. Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

#### *Openness*

5. Members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.

#### *Honesty*

6. Members should declare any private interests relating to their public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

#### *Leadership*

7. Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.



Report to: **Pension Board**

Date: **4 February 2016**

By: **Chief Operating Officer**

Title of report: **East Sussex Pension Fund - CIPFA Benchmarking report**

Purpose of report: **This report provides information about the costs of the Fund's pensions administration service, and compares those costs with other LGPS funds via the CIPFA Benchmarking Club.**

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## **RECOMMENDATIONS**

**The Board is recommended to note the CIPFA Benchmarking report**

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### **1. Introduction**

1.1 This report provides a summary of how the administration of the East Sussex Pension Fund's membership fared against other Councils of a similar size and structure to itself across a range of factors. The report has 4 main sections focusing on the administrative performance, i.e., Cost Measures, Staffing Measures, Workload Measures, and the Authorities Response).

1.2 This year 42 LGPS funds reported their administration costs, membership details, workload and staff movements to CIPFA who analysed and reported on the data in comparative tables and graphs. The East Sussex Pension Fund bar is highlighted in black and under the letter 'a', the group average is shown by a black horizontal line. The benchmarking relates to the membership administration function of the Fund and does not cover investments.

1.3 The summary results detailed in Appendix 1 compare the ESPF with eight funds of similar size and structure. The East Sussex Pension Fund compares favourably to the group average. The Fund's net administration cost of £16.36 per member is £2.01 below the group average, as a percentage this represents 11%.

### **2. Executive Summary**

2.1 The comparison with the eight funds of similar size/structure identified two particular areas where the Fund is significantly far away from the group average on cost. The Fund performs strongly in terms of staff costs however the fund performs poorly in terms of pension's administration software costs, the current software provider is Heywood who also provide software to over 90% LGPS administration services

2.2 **Cost per member** - The ESPF cost per member is £16.36 per annum, compared to the group average of £18.37. This equates to paying £138,887 less per annum for administration of the fund relative to the similar size fund average.

2.3 **Members per FTE (excluding payroll) – Each full time member of staff in the Pensions Administration team administers 5,572 pension scheme members, compared**

with group average of 4,320. This productivity measure is 29% higher than the average which would appear to indicate a highly efficient service, however when this figure is viewed alongside the staff turnover figure of 28.6% (against an average figure of 18.0%) it seems to indicate that the department is not coping with the volume of work they presented with.

**2.4 Staff pay** - Overall, staff costs per member are in the lowest quartile. The Fund has 61% of the pensions administration staff (more than double the group average) in the lower pay bracket of £15,000 - £20,000, the Fund also has 32% of its staff in the next pay bracket up of £20,000 - £25,000 this pay bracket is still below the group average.

### **3. Staffing Measures and staffing cost**

3.1 The data illustrates that the Fund as a whole pays substantially above the group average per FTE (£36,506 vs. £31,279), substantially less for payroll services (£0.36 vs. £2.08) and substantially more or less for other key measured statistics (eg Audit, Communications, “other running costs” and “other central charges”). Viewing any one of these statistics in isolation can give the impression that the service is either highly effective or highly ineffective depending on the figure chosen. The authors of this report would recommend that the following three headline figures from page 5 are used for comparative purpose due to the variations in the ways local authorities choose to calculate some of the more detailed submitted figures. The three headline comparators would be

Direct costs	ESPF £10.92 vs. Average £12.69
Indirect Costs	ESPF £5.48 vs. Average £5.76
Income	ESPF £0.04 vs. Average £0.08

### **4. Workload Measures**

4.1 On the whole, the workload measures, (the volume of work that the fund's members generate) of the report did not highlight any areas where the East Sussex Pension Fund is significantly above or significantly below the group average. The number of people retiring is one of the key indicators of workload and the East Sussex Pension Fund was slightly above the group average on this task.

4.2 The number of joiners and leavers is another key indicator of workload and again the East Sussex Pension Fund is almost exactly in line with the group average. An area we hope to see some change on in the near future is the efficient use of technology by the pension's administration.

4.3 What does create concern however is the volume of work being undertaken by each FTE in the Pensions Administration Team with each team member handling 5,575 pension fund members against an average of 4,320 (29% increase). This level of workload could create a lowering in the quality of service and an increase in staff turnover.

### **5. Response to the Report**

5.1 The Fund is performing above the group average in some areas and below in others. It should be noted however that these industry standard KPI's are not identical to the KPI's the administration are currently working to. A project is currently underway within the Orbis Pensions teams to rationalise the KPIs to an industry standard suite of figures that can be presented to the Pensions Board

5.2 On further investigation the higher than expected IT costs seem to have been generated by ESPF utilising the Heywood IT Hosting Service. Orbis has now completed a detailed re-Procurement exercise of the pensions software across all of the six funds administered and should be in a position to recommend a solution to the respective pensions boards in the next month.

5.3 The East Sussex Pension Fund invested in a new technology in June 2015, PensionsWEB, this software was rolled out to 8 of the largest employers in the Fund including ESCC employer. This software enables employers to submit data online which will then be automatically uploaded to the pension's administration system. As part of the business case for the Fund bringing in this software it was recognised that this will lead to more efficient processing by modernisation and a reduction in transactional tasks for the pensions administration which in turn will free up resource.

5.4 Although the benchmarking report makes no reference to the quality of the service there are indicators that suggest some of the reasons behind the current situation. Orbis are currently undertaking a major review of its Pensions Administration Service and making changes that should raise the operational quality. The figures in the report are welcomed by Orbis as important empirical evidence to help inform management actions.

**KEVIN FOSTER**  
**Chief Operating Officer**

Contact Officers: Wendy Neller Pensions Strategy and Governance Manager Tel no: 01273 481904  
wendy.neller@eastsussex.gov.uk

Simon Pollock – Head of Business Operations Tel No: 0208 541 7848  
simon.pollock@surreycc.gov.uk

Local Member(s):

All

Background Documents

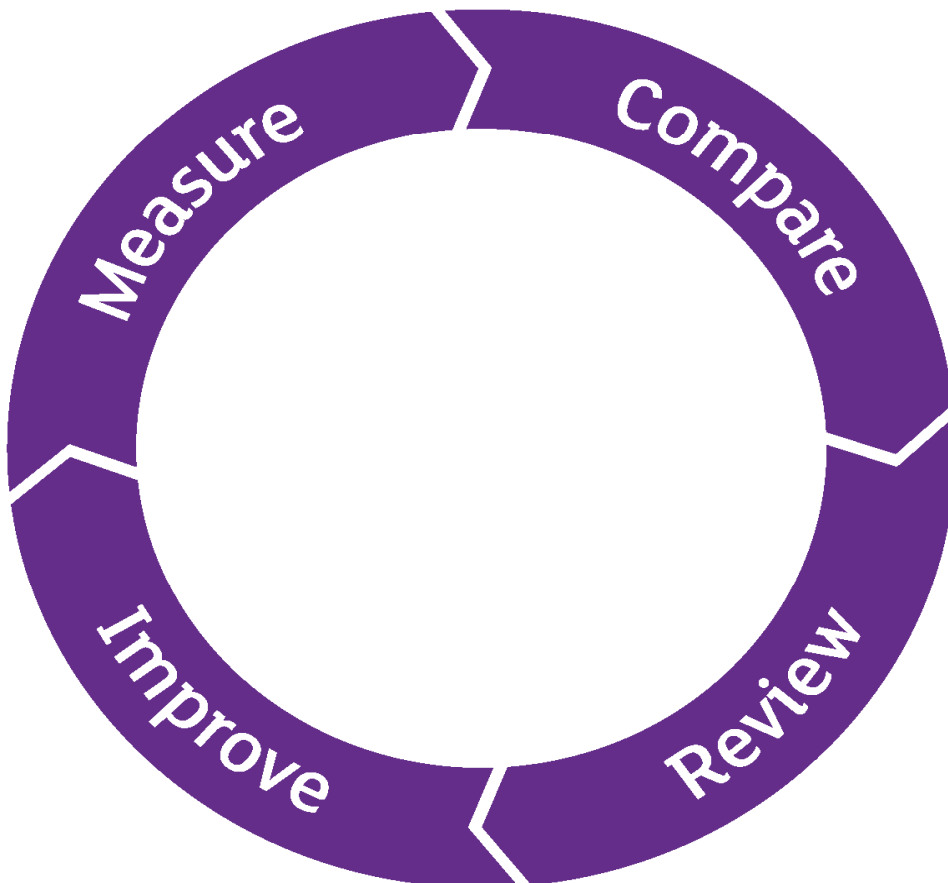
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Information Services

# pensions administration benchmarking club

2015 - East Sussex Comparator Report



## PREFACE

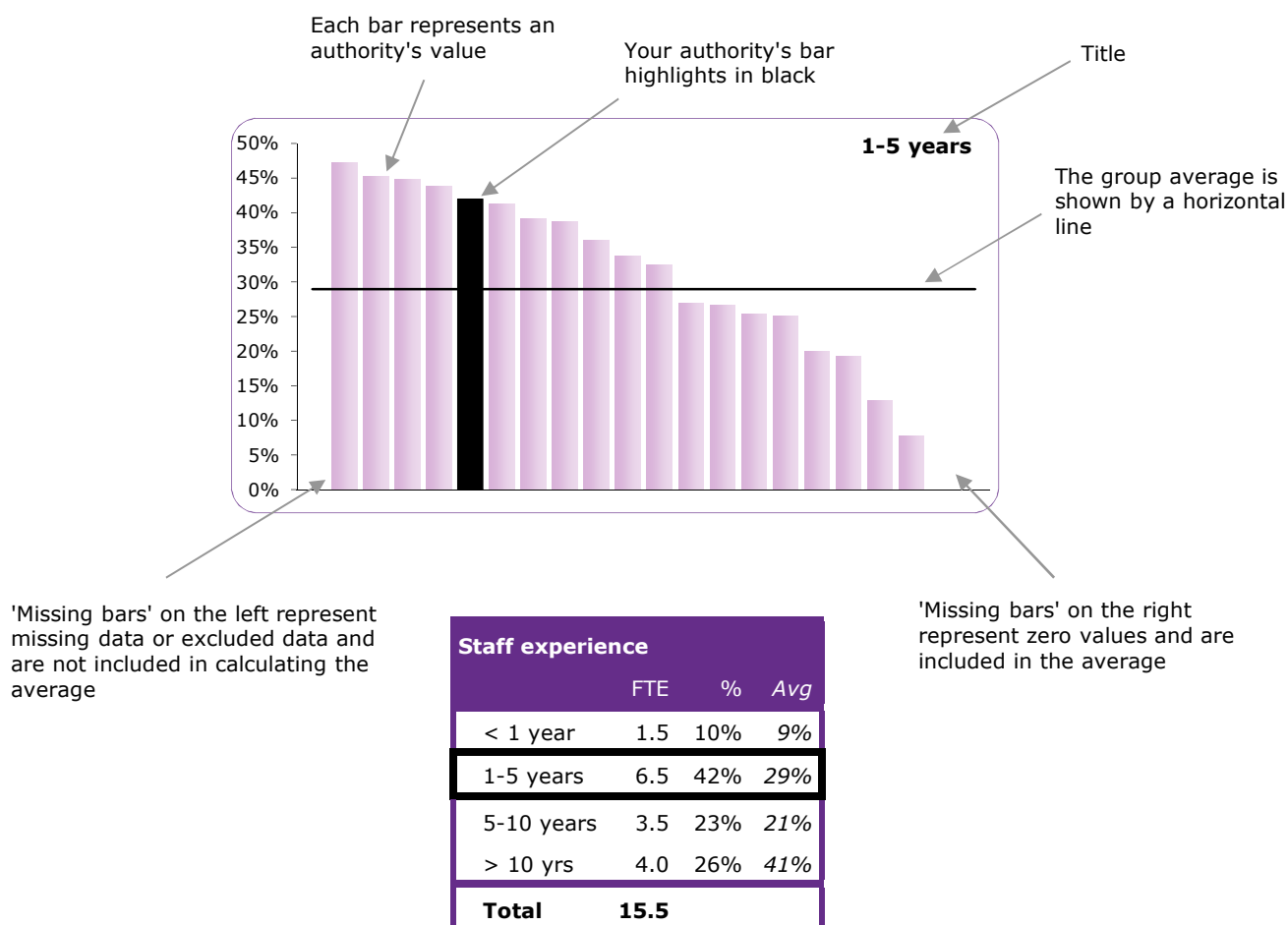
This report compares your data with the group of authorities specified on the title page.

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

**Averages:** Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

**Charts:** We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

**Bar Charts:** These are our standard method of displaying a full set of data





# INTRODUCTION

This report compares your performance with the group of authorities specified on the title page. It is divided into the following sections.

	Page
1 Summary 2015	4
2 Cost Measures	5
3 Workload Measures	11
4 Staff Related Measures	20
5 Industry Standard Performance Indicators	24
6 Comparison by method of service delivery } <i>final reports</i>	-
7 Timeseries } <i>final reports only</i>	-

## Section 1 - Summary 2015

This page provides a brief summary of the most salient aspects of the report.

## Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by staff costs, payroll costs, direct costs, overheads and income. Further analysis of direct costs and overheads is also provided in this section.

## Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers.

Other workload measures include:

- Joiners and leavers with a full analysis of the various types of retirements
- Number of quotations provided and actual events processed
- AVCs, ARCs and Added years
- Appeals

## Section 4 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, sickness absence, pensions work experience, staff qualifications and staff turnover.

## Section 5 - Industry Standard Performance Indicators

In this section we show how authorities perform against each of the LGPC performance indicators.

## Section 6 - Comparison by Method of Service Delivery (final report only)

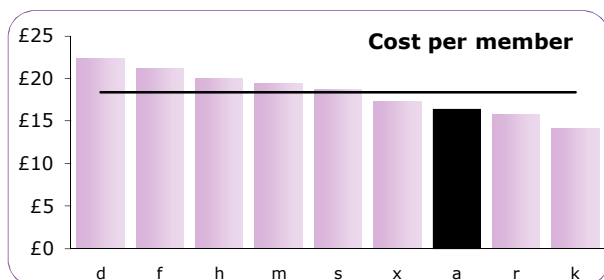
This shows members' costs and averages compared for in-house and externally managed pension schemes.

## Section 7 -Timeseries (final report only)

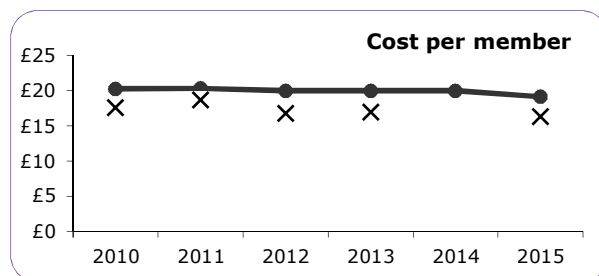
This shows the individual members' performance over time compared to the club average for cost per member, which is analysed over staff cost and other costs.

## SECTION 1 - SUMMARY 2014/15

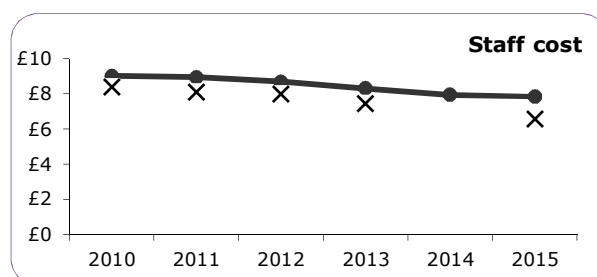
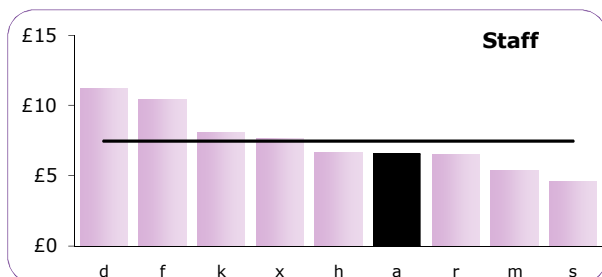
### NET COST / MEMBER 2014/15



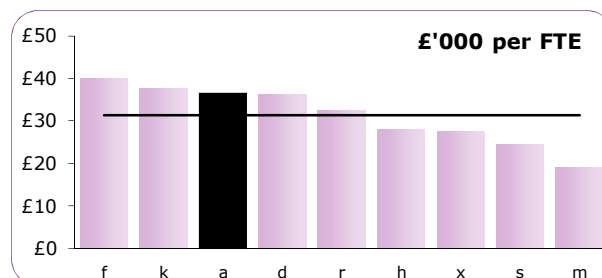
● Club average  
X East Sussex



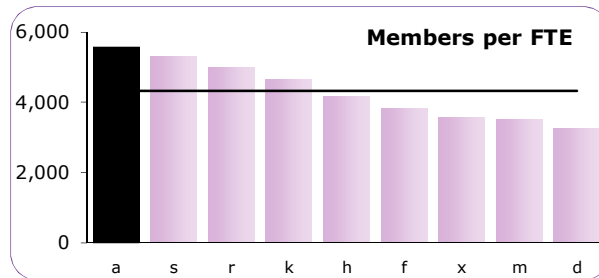
### STAFF COST / MEMBER 2014/15



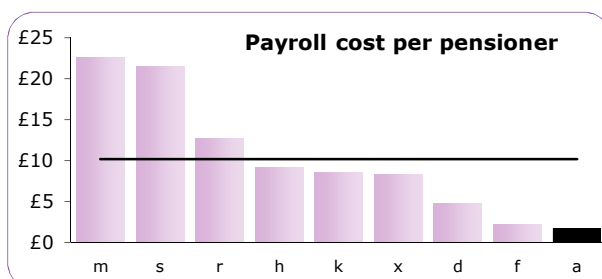
### COST £'000 / FTE



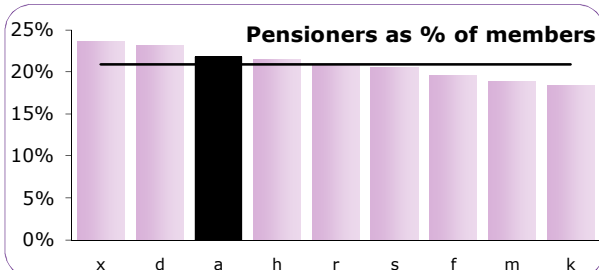
### MEMBERS LGPS / ADMIN FTE



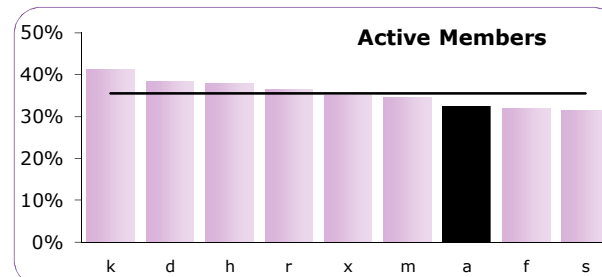
### PAYROLL COST / PENSIONER



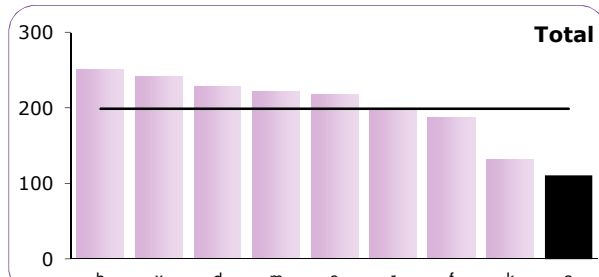
### PENSIONERS AS A % MEMBERS



### ACTIVES AS A % MEMBERS



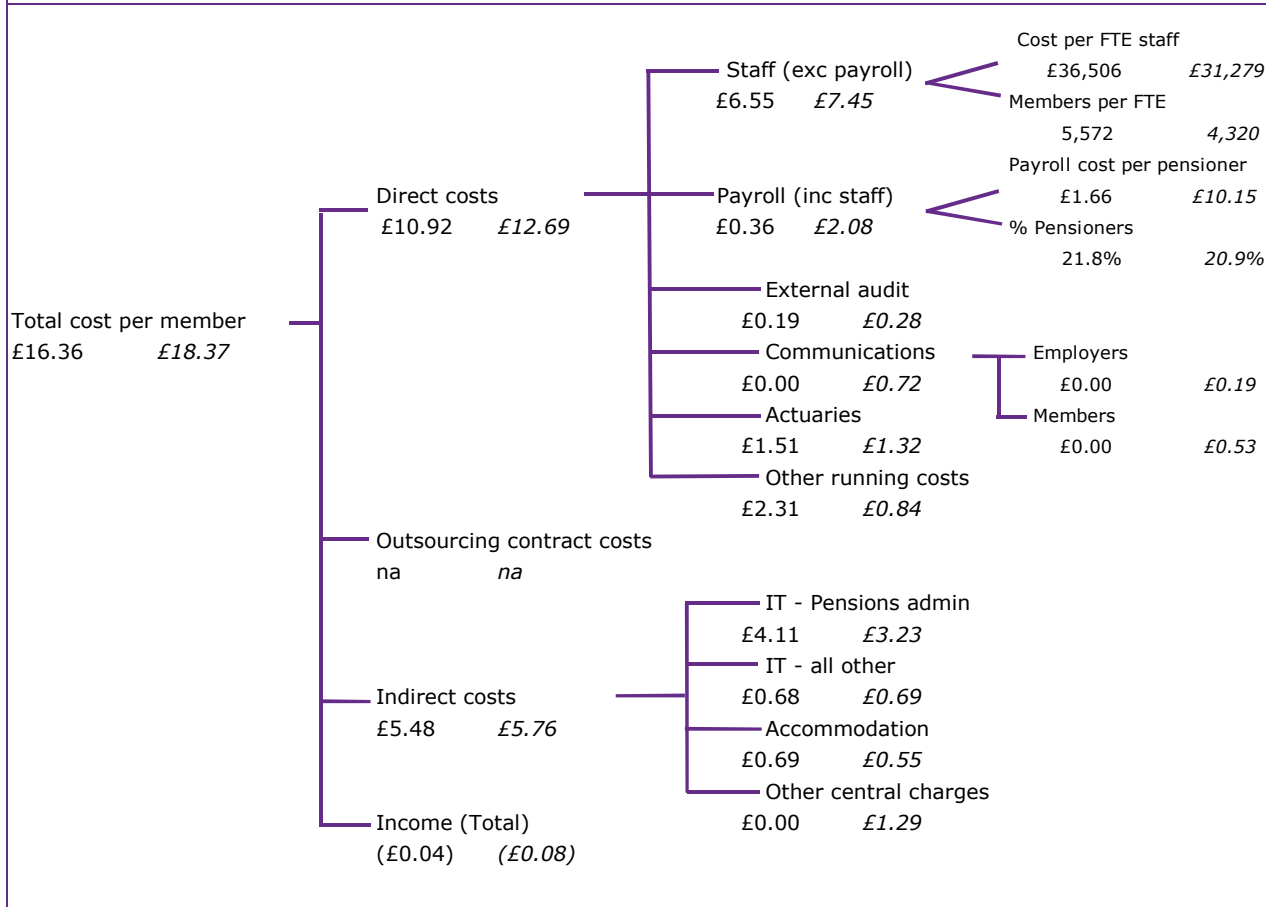
### NUMBER OF LGPS EMPLOYERS



## SECTION 2 - COST MEASURES

### COST/MEMBER TREE 2014/15

This tree diagram analyses the cost per member. For each benchmark two figures are given the first being the authority's cost and the second (in italics) is the group average.



FTE staff	
Pension Section total	15.4
less	
IT staff	-
Payroll staff	1.0
Communications staff	-
Employing authority work	1.0
Work for other schemes	1.0
Other work	-
<b>Admin of LGPS</b>	<b>12.4</b>

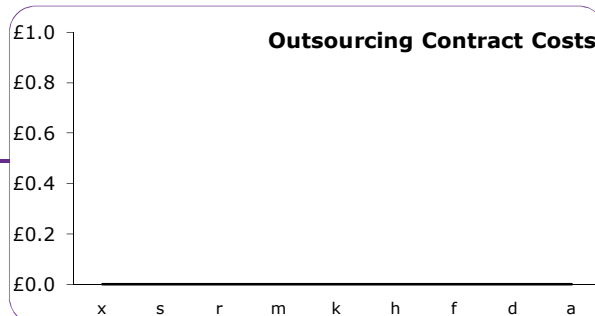
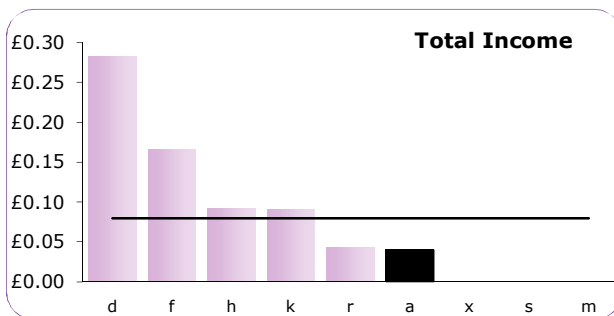
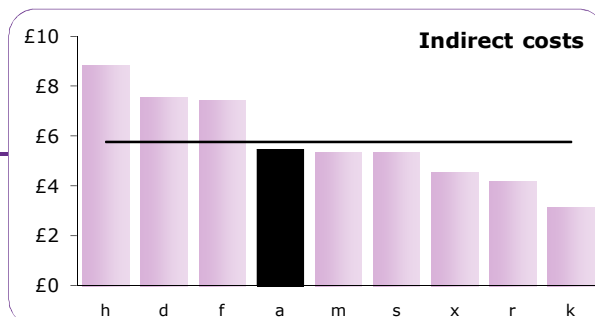
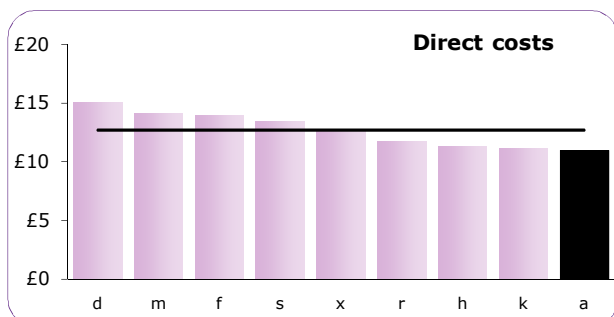
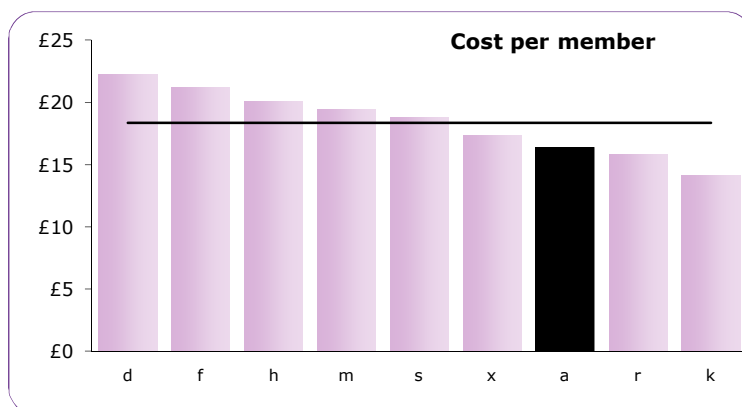
Net Costs £'000	
	£'000
Pension Section total	1,131
less	
Work for other schemes	-
Employing authority work	-
Other work	-
<b>Admin of LGPS</b>	<b>1,131</b>

Admin of LGPS costs	£'000	£ per member	Avg
Staff - administration	453	6.55	7.45
Staff - payroll	25	0.36	0.44
Payroll	-	-	1.64
Communications (Total)	-	-	0.72
Actuaries	104	1.51	1.32
External audit	13	0.19	0.28
Other running costs	160	2.31	0.84
<b>Total Direct Costs</b>	<b>755</b>	<b>10.92</b>	<b>12.69</b>
<b>Outsourcing costs</b>	<b>-</b>	<b>na</b>	<b>na</b>
IT - Pensions admin	284	4.11	3.23
IT - All other	47	0.68	0.69
Accommodation	48	0.69	0.55
Other central charges	-	-	1.29
<b>Total Indirect Costs</b>	<b>379</b>	<b>5.48</b>	<b>5.76</b>
<b>Gross Cost</b>	<b>1,133</b>	<b>16.40</b>	<b>18.45</b>
Income - Members	(3)	(0.04)	(0.03)
Income - Employers	(0)	(0.00)	(0.01)
Income - Other	-	-	(0.04)
<b>Total Income</b>	<b>(3)</b>	<b>(0.04)</b>	<b>(0.08)</b>
<b>Net Cost</b>	<b>1,131</b>	<b>16.36</b>	<b>18.37</b>

**Total Scheme Membership 69,098**

\*Outsourcing Contract Costs average only includes those members who have outsourcing costs.

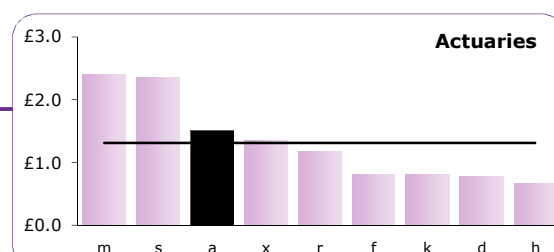
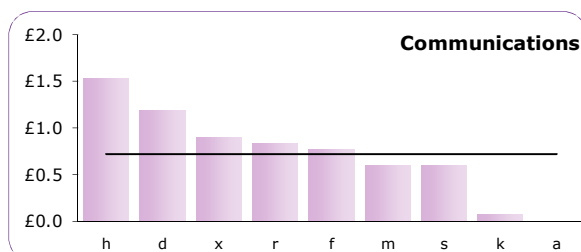
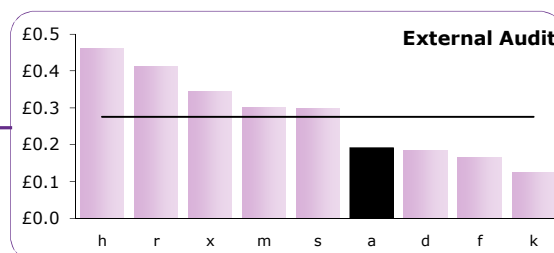
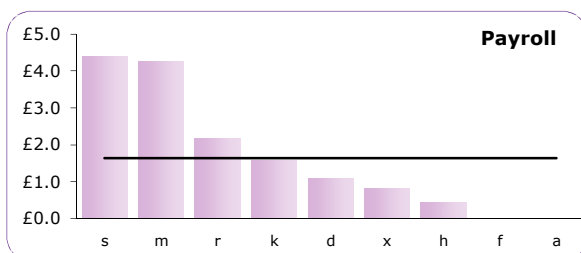
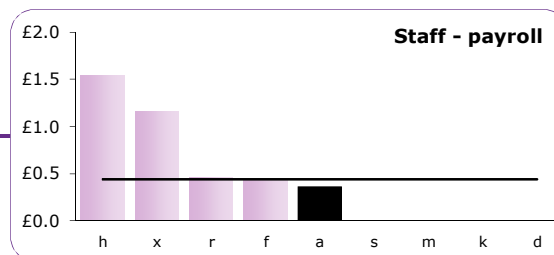
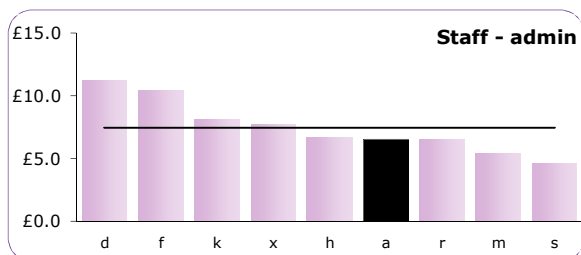
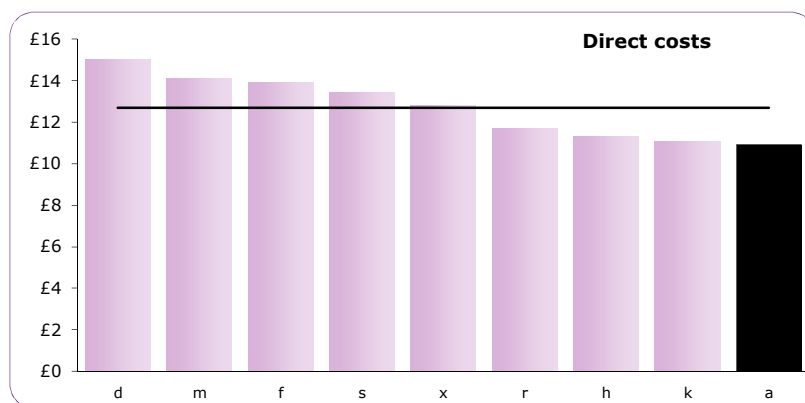
## COST PER MEMBER 2014-15



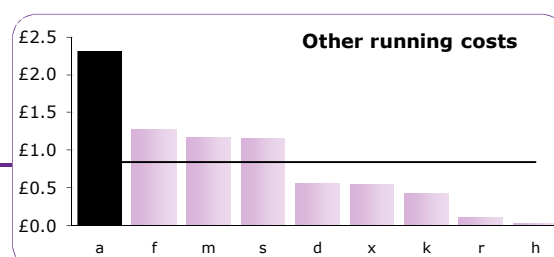
Admin of LGPS costs		£ per member	Avg
	£'000		
Total Direct Costs	755	10.92	12.69
Outsourcing costs	-	na	na
Total Indirect Costs	379	5.48	5.76
Total Income	(3)	(0.04)	(0.08)
<b>Net Cost</b>	<b>1,131</b>	<b>16.36</b>	<b>18.37</b>

**Total Scheme Membership 69,098**

## COSTS PER MEMBER - Direct costs 2014/15

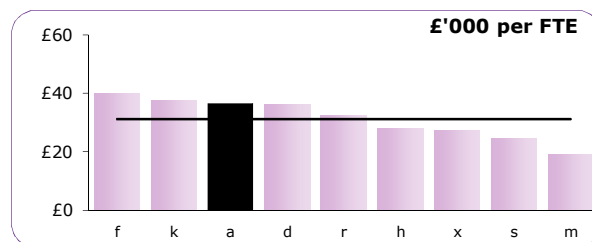
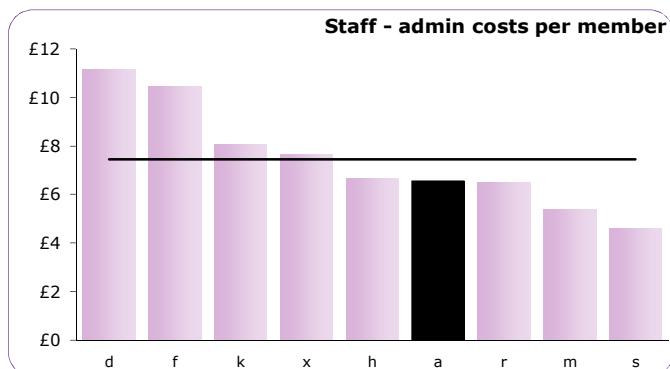


Direct costs	£'000	£ per member	Avg
Staff - admin	453	6.55	7.45
Staff - payroll	25	0.36	0.44
Payroll	-	-	1.64
External audit	13	0.19	0.28
Communications	-	-	0.72
Actuaries	104	1.51	1.32
Other running costs	160	2.31	0.84
<b>Total</b>	<b>755</b>	<b>10.92</b>	<b>12.69</b>

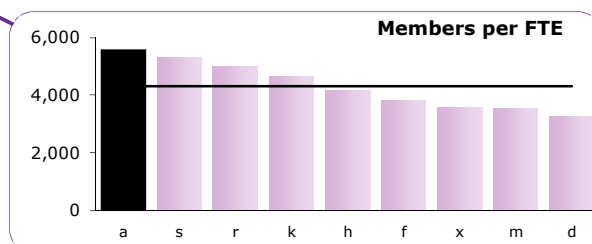


## DIRECT COSTS PER MEMBER - Staff and Payroll costs 2014/15

	£'000	£ per member	Avg
Staff - admin	453	6.55	7.45

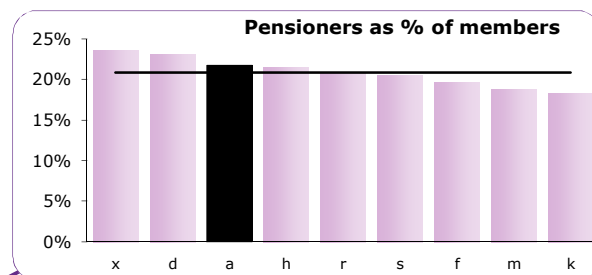
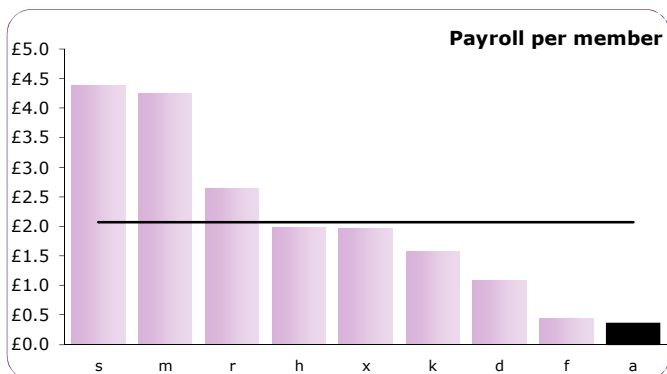


East Sussex 36.5 Avg 31.3

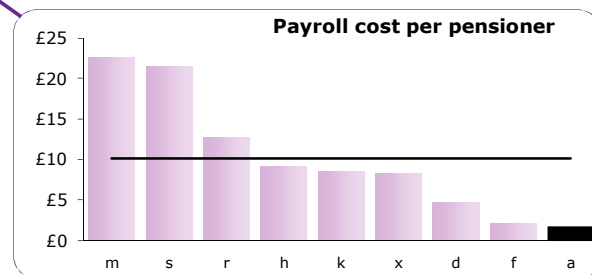


East Sussex 5,572 Avg 4,320

	£'000	£ per member	Avg
Payroll (combined)	25	0.36	2.08

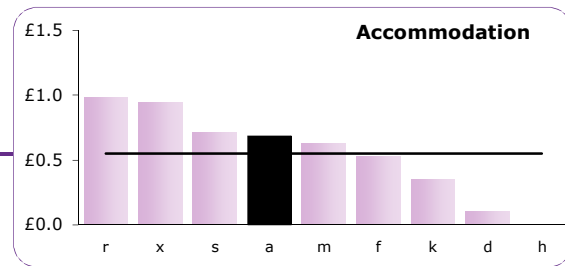
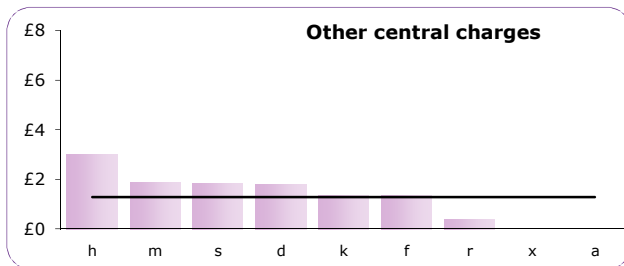
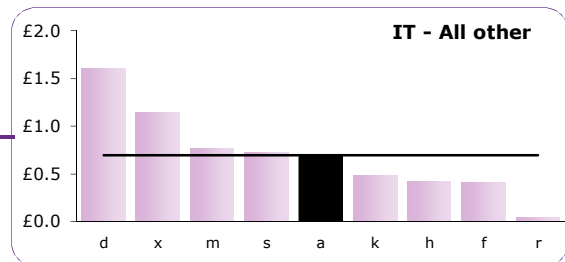
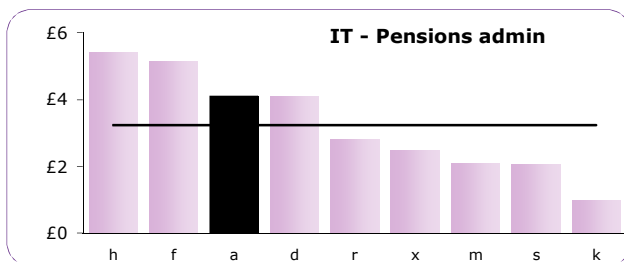
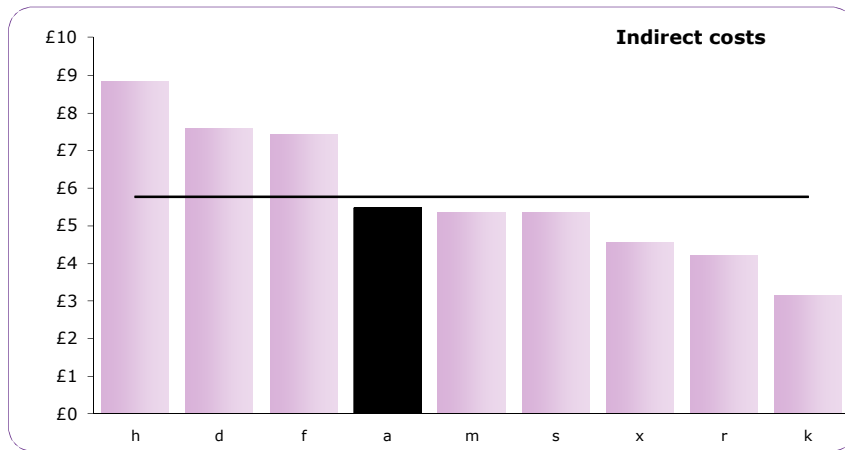


East Sussex 22% Avg 21%



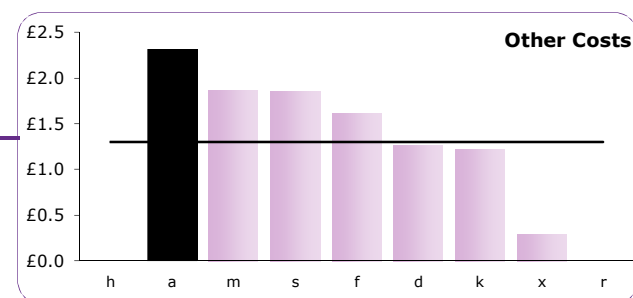
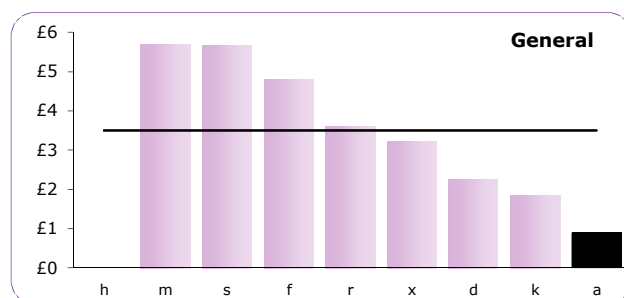
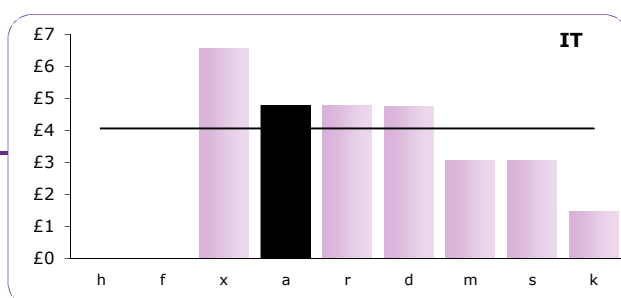
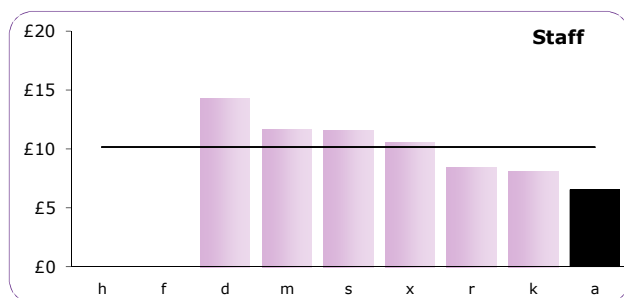
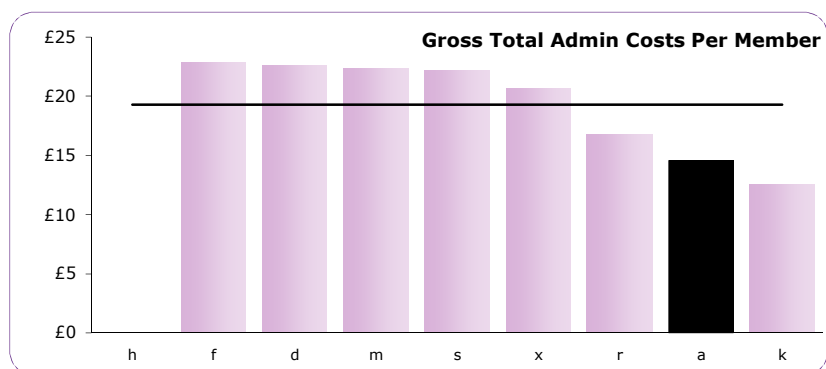
East Sussex 1.7 Avg 10.2

## COSTS PER MEMBER - Indirect costs 2014/15



Indirect costs		£ per member	
	£'000		Avg
IT - Pensions admin	284	4.11	3.23
IT - All other	47	0.68	0.69
Accommodation	48	0.69	0.55
Other central charges	-	-	1.29
<b>Total</b>	<b>379</b>	<b>5.48</b>	<b>5.76</b>

## COSTS PER MEMBER - LGPS Administration Expenses Analysis 2014/15

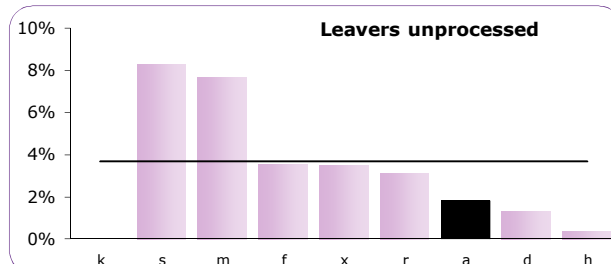
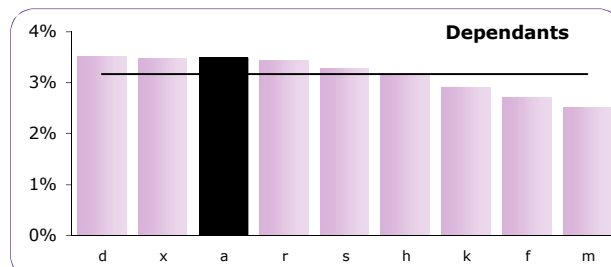
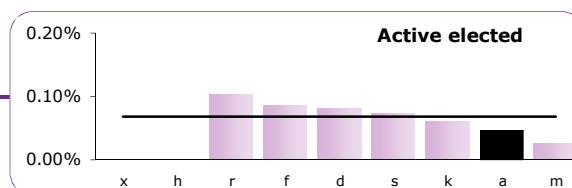
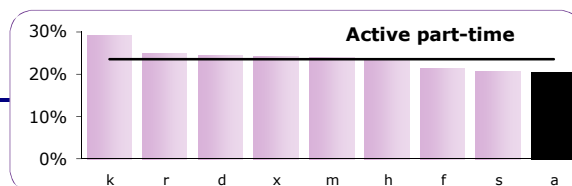
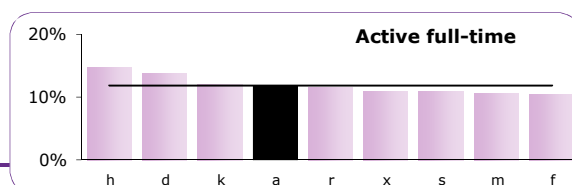
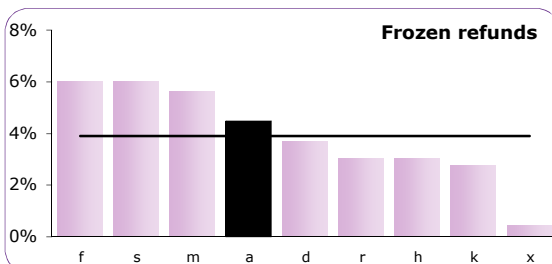
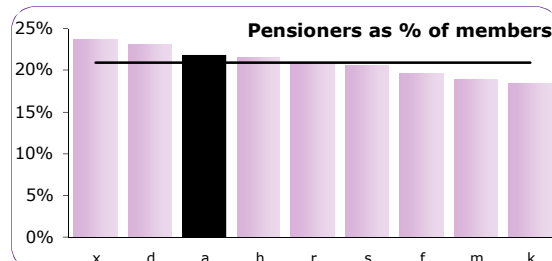
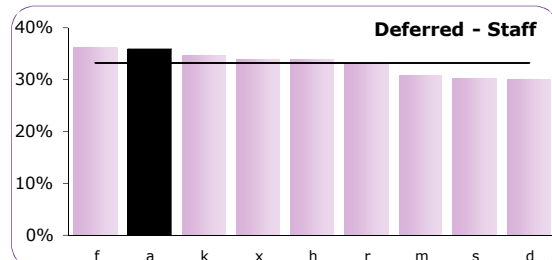
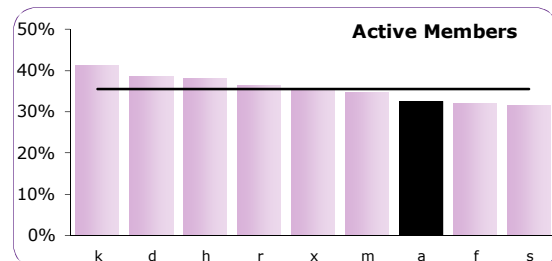


LGPS Administration Expenses		£ per member	
	£'000		Avg
Staff Costs	453	6.56	10.16
IT Costs	331	4.79	4.06
General Costs	61	0.88	3.49
Other Costs	160	2.32	1.30
<b>Gross LGPS Admin Exp.</b>	<b>1,005</b>	<b>14.54</b>	<b>19.30</b>
<b>Gross LGPS Income</b>	<b>3</b>	<b>0.04</b>	<b>0.20</b>
<b>Net LGPS Admin Exp.</b>	<b>1,002</b>	<b>14.51</b>	<b>18.59</b>



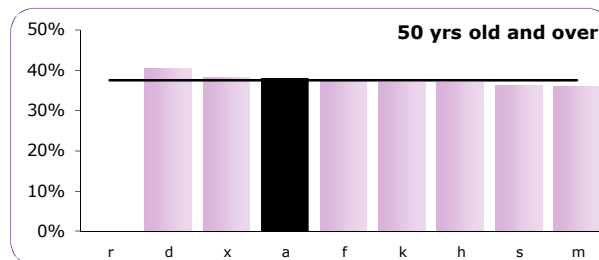
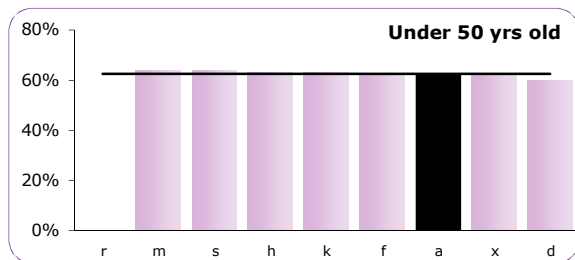
## SECTION 3 - WORKLOAD MEASURES

### COMPOSITION OF MEMBERS AS AT 31/3/2015



Composition of members				
	No.	%	Avg	Avg %
<b>Active:</b>				
- full-time	8,217	12%	8,669	11.9%
- part-time	14,151	20%	17,475	23.6%
- no. of elected Members	32	0.05%	39	0.07%
- sub-total	22,400	32%	26,183	35.5%
<b>Deferred:</b>				
- Staff	24,872	36%	24,320	33.2%
- Elected Members	39	0.1%	15	0.0%
Pensioners	15,043	22%	15,259	20.9%
Dependants	2,402	3.5%	2,321	3.2%
Frozen refunds	3,100	4.5%	2,736	3.9%
Leavers unprocessed	1,242	1.8%	2,590	3.7%
<b>Total</b>	<b>69,098</b>		<b>73,423</b>	

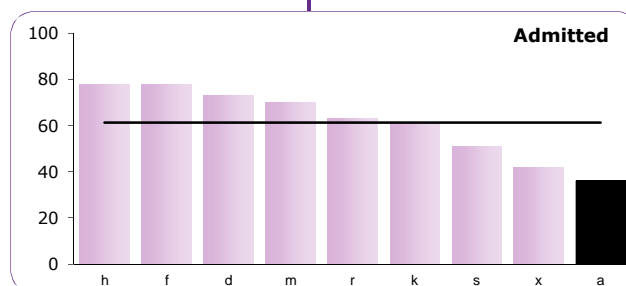
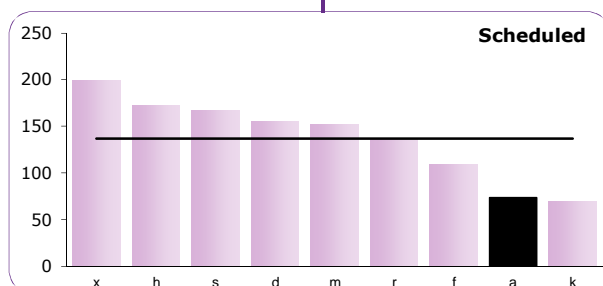
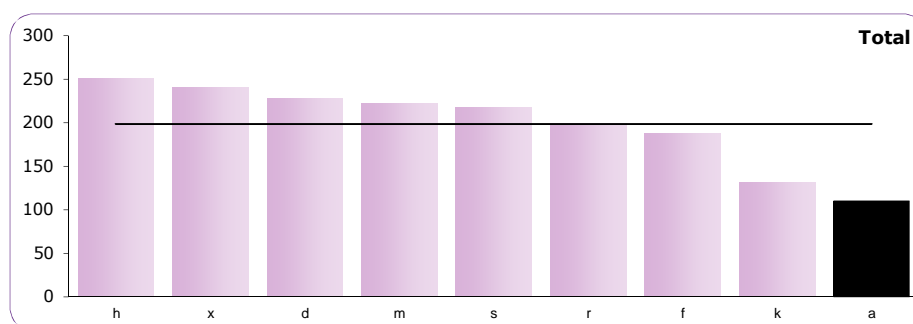
## COMPOSITION OF MEMBERS AS AT 31/03/2015



### Composition of active members

	No.	%	Avg
Under 50 yrs old	13,885	62%	62%
50 yrs old and over	8,515	38%	38%

## NUMBER OF LGPS EMPLOYERS AS AT 31/03/2015



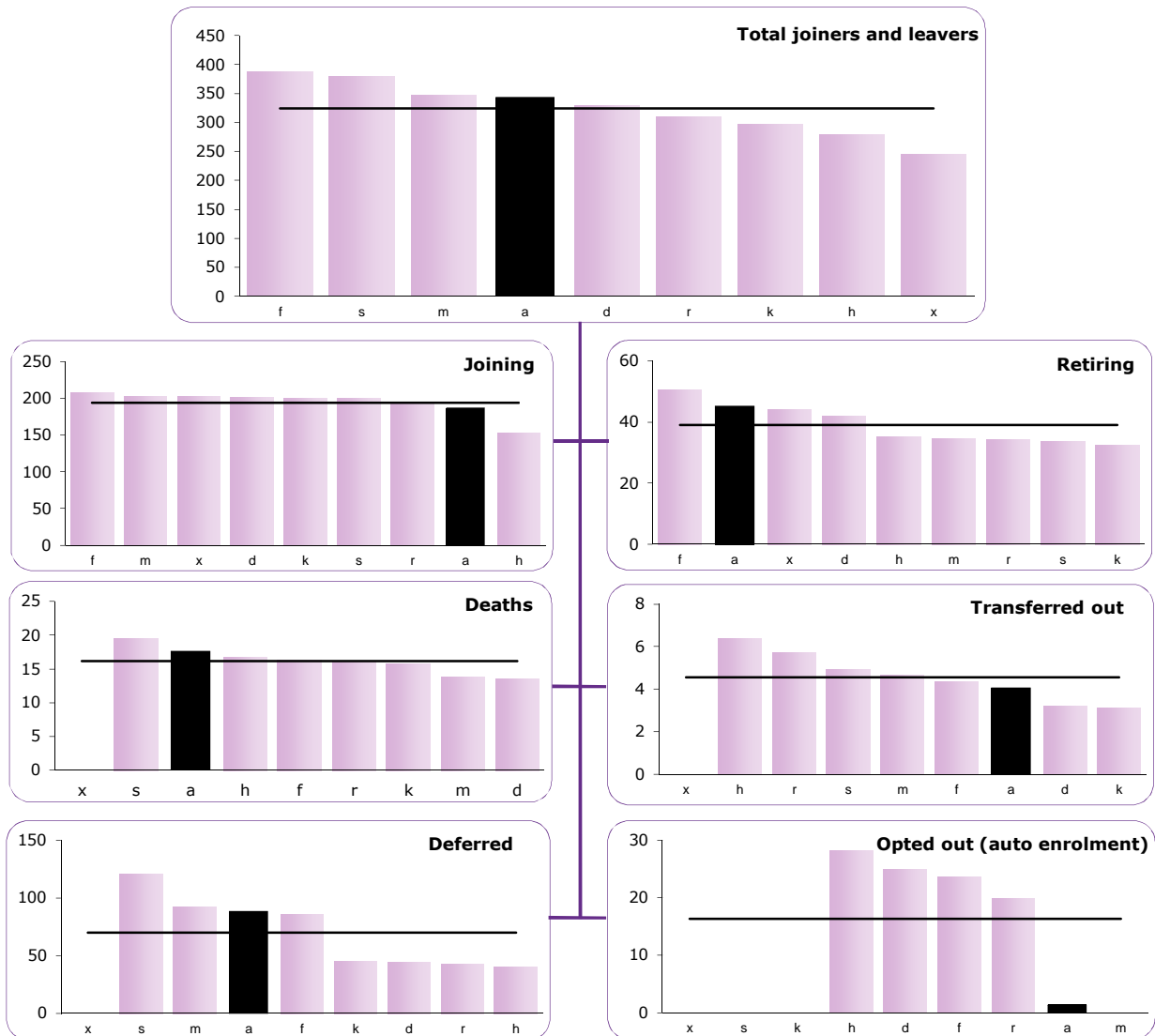
### LGPS employers (31/3/15)

	No.	Avg	of which:	No.	%	Avg
Scheduled	74	137	Local Authorities	8	11%	16%
Admitted	36	61	Transferee	26	72%	66%
<b>Total</b>	<b>110</b>	<b>199</b>				

### Employer changes 2014/15

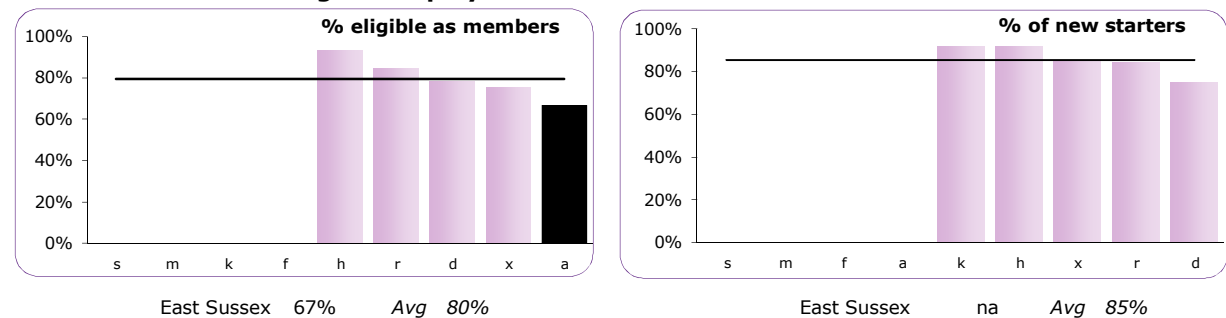
	Applied		Admitted		Leaving	
	No.	Avg	No.	Avg	No.	Avg
Scheduled	5	15	5	24	1	4
Admitted	6	5	6	7	5	2

## JOINERS & LEAVERS (per '000 active members)

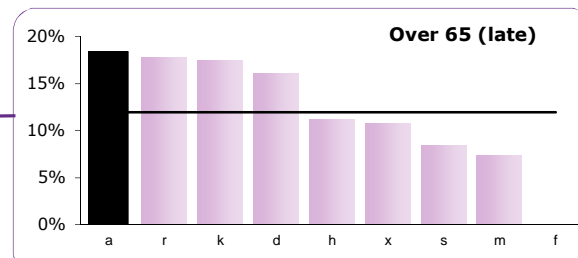
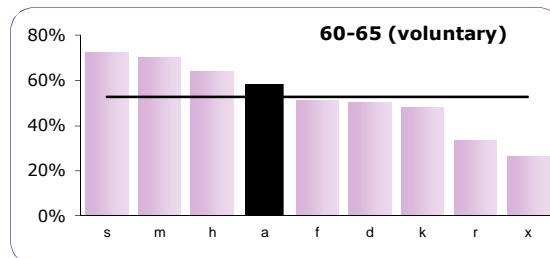
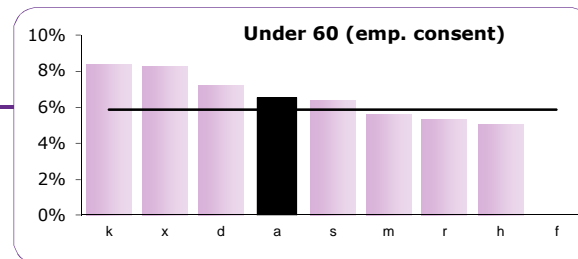
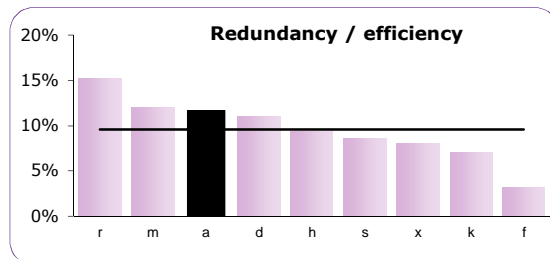
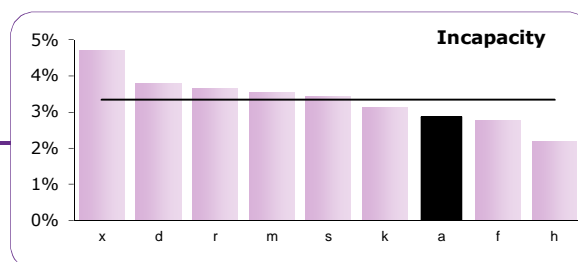
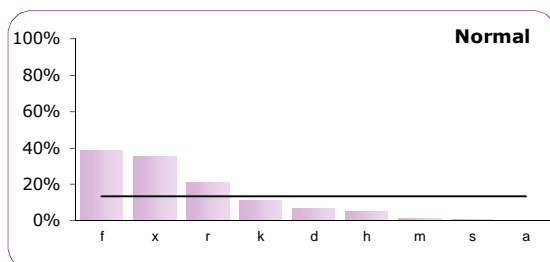
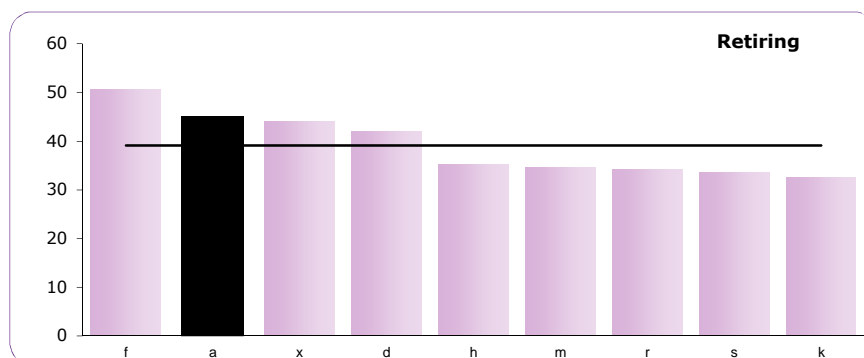


Joiners & leavers (per '000 active members)			
	No.	'000	Avg
Joining	4,177	186	194
Retiring	1,011	45	39
Deaths	395	18	16
Transferred out	91	4	5
Deferred	1,984	89	70
Opted out	29	1	16
Total	7,687	343	324

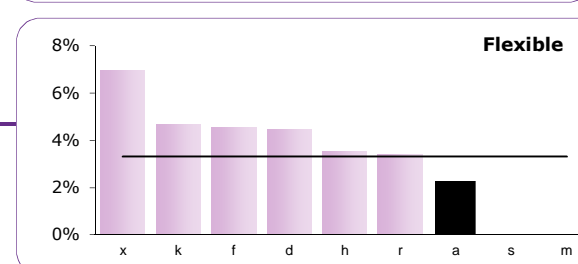
## LGPS members as % eligible employees



## RETIRING (per '000 active members)



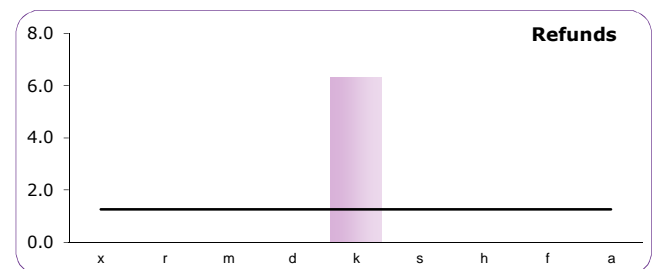
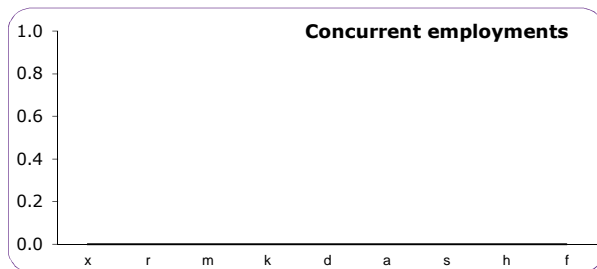
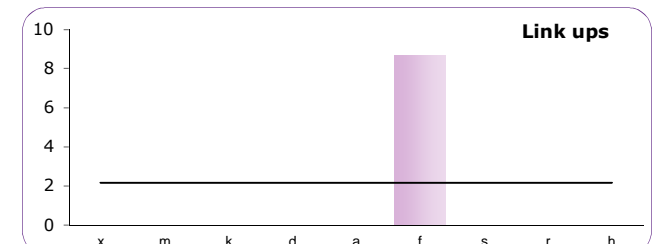
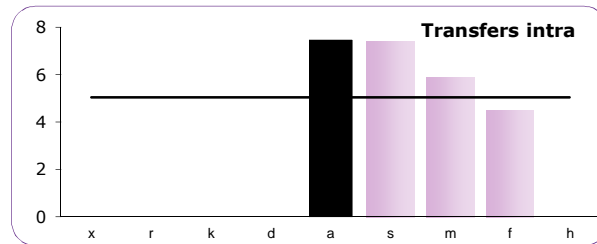
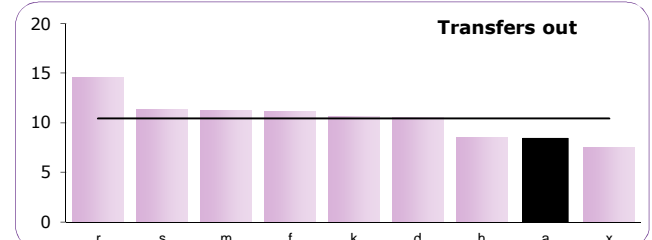
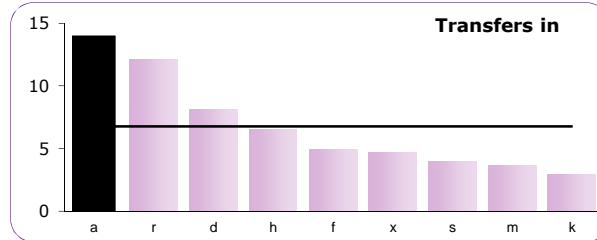
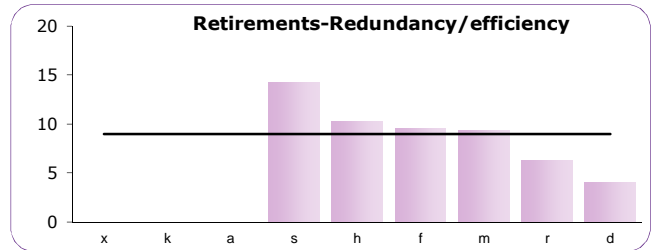
Retirements	No.	%	Avg
Normal	-	0%	13%
Incapacity/ill-health	29	3%	3%
Redundancy/efficiency	118	12%	10%
Under 60 (emp. consent)	66	7%	5.9%
60-65 (voluntary)	589	58%	53%
Over 65 (late)	186	18%	12%
Flexible	23	2.3%	3.3%
<b>Total</b>	<b>1,011</b>		



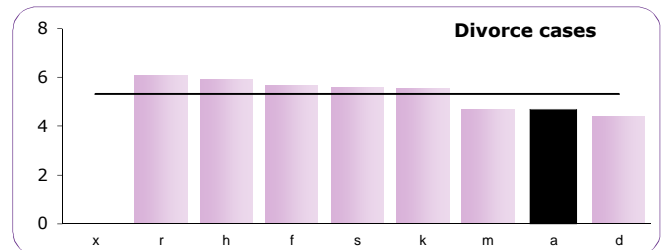
Retiring (per '000 active members)			
	No.	'000	Avg
Retiring	1,011	45	39

Active members	
	22,400

## NUMBER OF QUOTATIONS PROVIDED (per '000 active members)

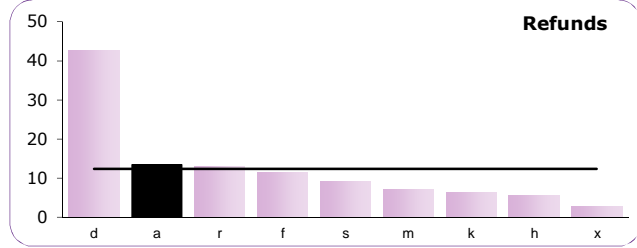
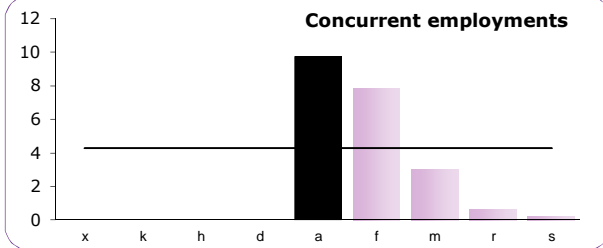
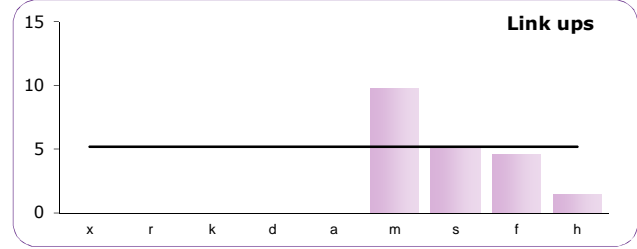
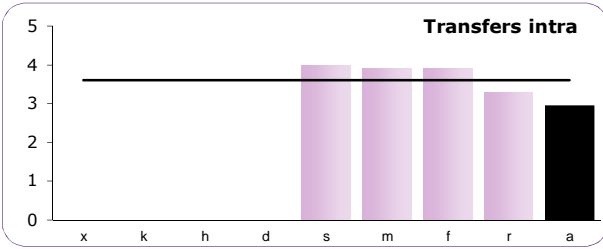
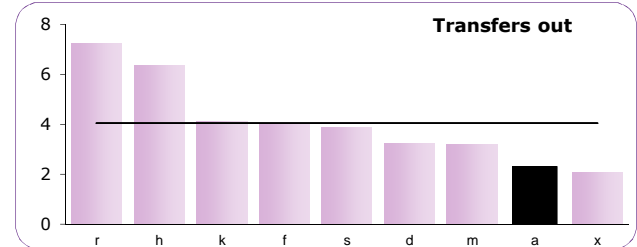
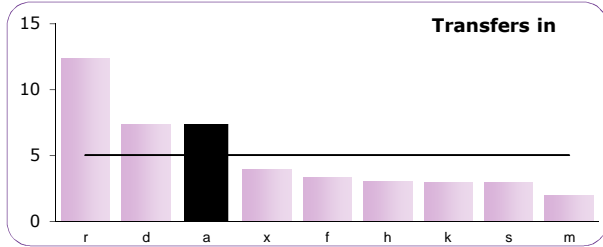
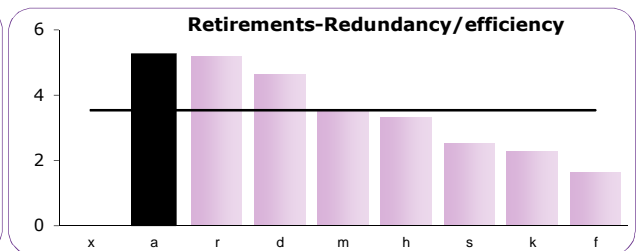
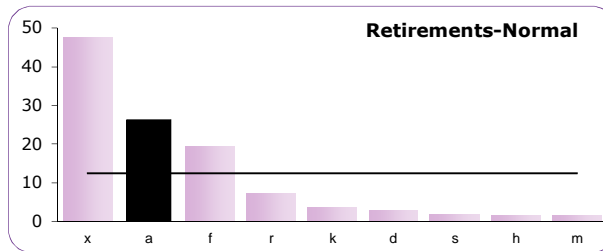


<b>Active members: 22,400</b>			
Quotations provided	No.	'000	Avg
TUPE -in	12	1	0
TUPE -out	1	0	0
Retirements:			
- Normal	-	-	19
- Incapacity/ill-health	..	na	1
- Redundancy/efficiency	..	na	9
- Flexible	..	na	2
- All other	1,350	60	43
Transfers in	314	14	7
Transfers out	189	8	10
Transfers intra	167	7	5
Link ups	..	na	2
Concurrent employments	..	na	-
Refunds	-	-	1
Divorce cases	105	5	5
Deaths in service	..	na	0
Deaths of pensioners	..	na	-

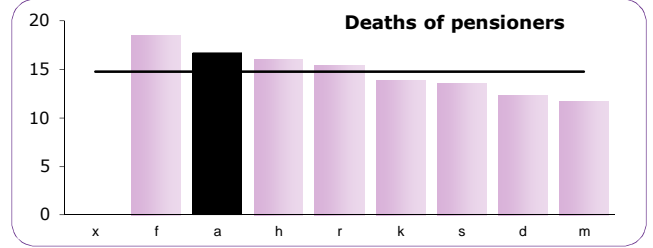
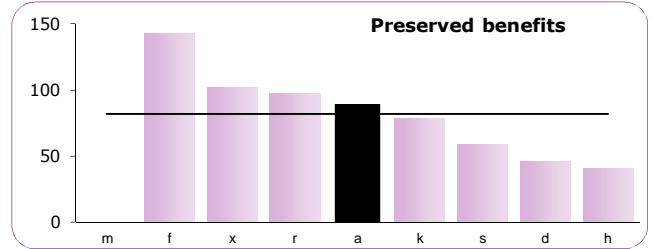
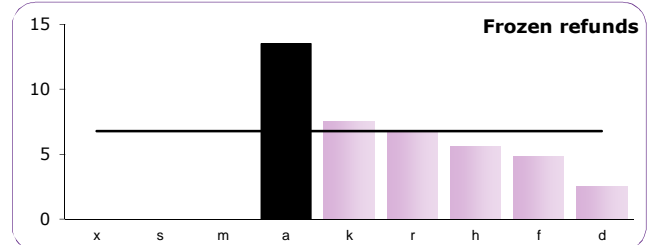


No of bulk transfers	No.	'000	Avg
TUPE -in	12	1	20
TUPE -out	1	0	16

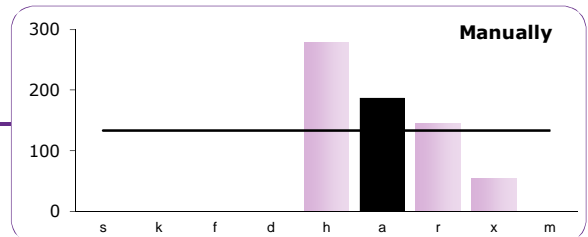
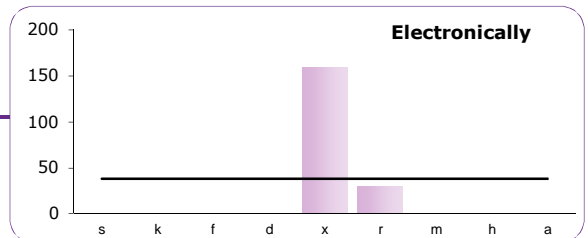
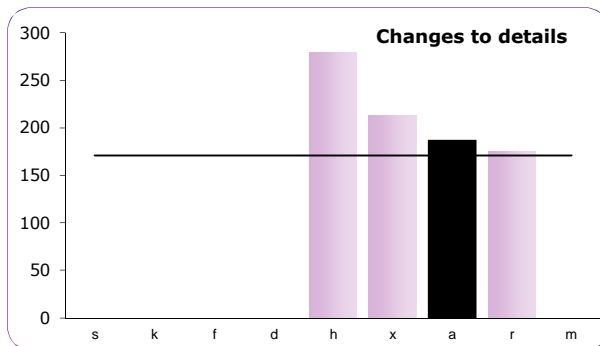
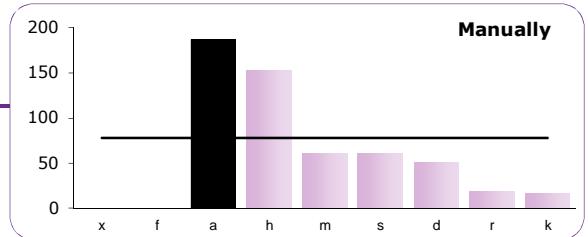
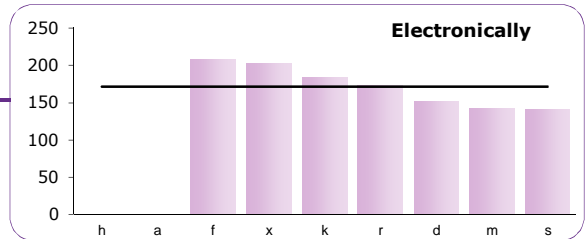
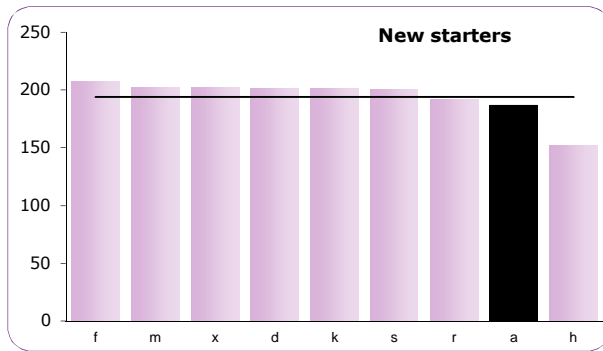
## NUMBER OF ACTUAL EVENTS (per '000 active members)



<b>Active members: 22,400</b>			
Actual events	No.	'000	Avg
TUPE -in	12	1	25
TUPE -out	1	0	27
Retirements:			
- Normal	589	26	13
- Incapacity/ill-health	29	1	1
- Redundancy/efficiency	118	5	4
- Flexible	23	1.0	1
- All other	252	11	18
Transfers in	165	7	5
Transfers out	52	2	4
Transfers intra	66	3	4
Link ups	-	na	5
Concurrent employments	218	10	4
Refunds	301	13	12
Frozen refunds	303	##	7
Preserved benefits	1,984	89	82
Divorce cases	8	0	0
Deaths in service	7	0.3	1
Death of pensioners	374	17	15
Single Status / Job Evaluation	..	na	na

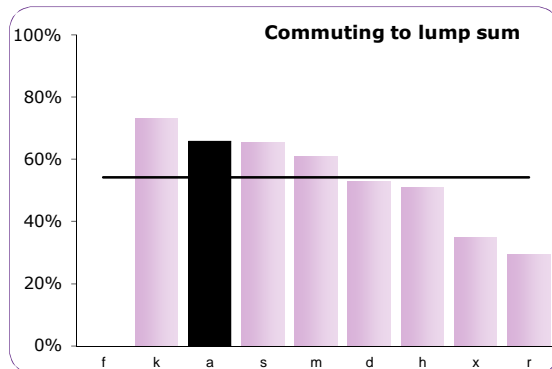


## ACTUAL CALCULATIONS (per '000 active members)



## RETIREMENTS

### Retirements commuting to lump sum



Retirements commuting lump sum		
Number	% total	Avg
667	66%	54%

### Active members

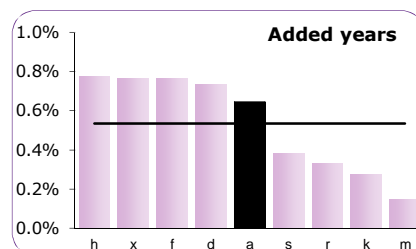
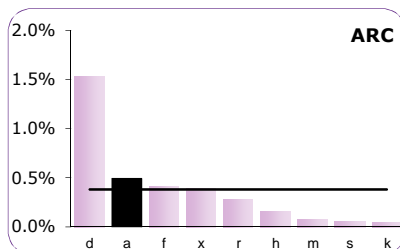
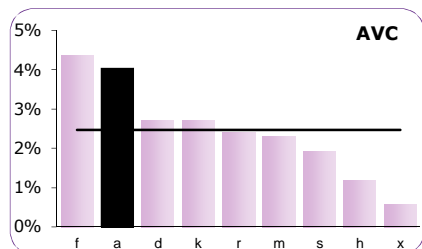
22,400

### Actual calculations

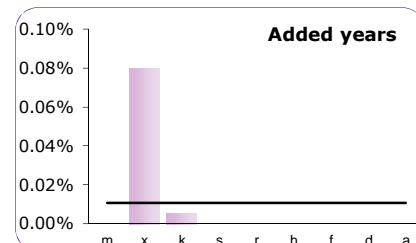
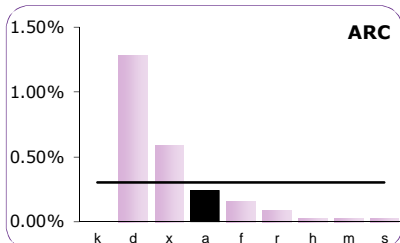
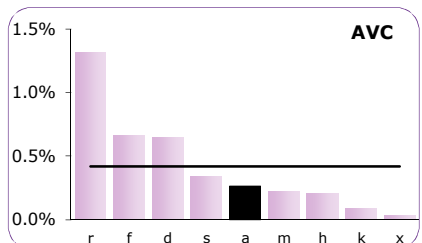
	No.	'000	Avg
<b>New starters</b>	<b>4,177</b>	<b>186</b>	<b>194</b>
- electronically	-	na	171
- manually	4,177	186	78
<b>Changes to details</b>	<b>4,196</b>	<b>187</b>	<b>171</b>
- electronically	-	0	38
- manually	4,196	187	133

## AVCs, ARCs and Added years

### % Currently contributing



### % New contributors this year

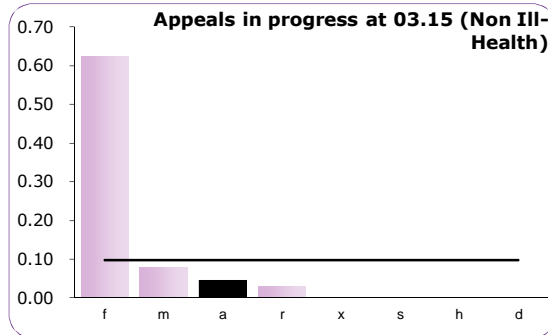
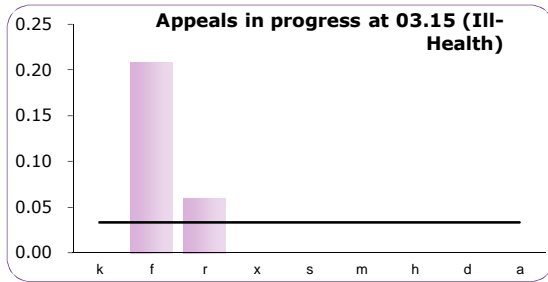


Contributors to AVCs and ARCS			
	No.	%	Avg
<b>Currently contributing</b>			
- AVC	907	4.05%	2.47%
- ARC	111	0.50%	0.38%
- Added years	145	0.65%	0.54%
Total	1,163	5.19%	3.39%
<b>New contributors this year</b>			
- AVC	59	0.26%	0.42%
- ARC	54	0.24%	0.30%
- Added years	-	0.00%	0.01%
Total	113	0.50%	0.70%

Active members
22,400



## APPEALS

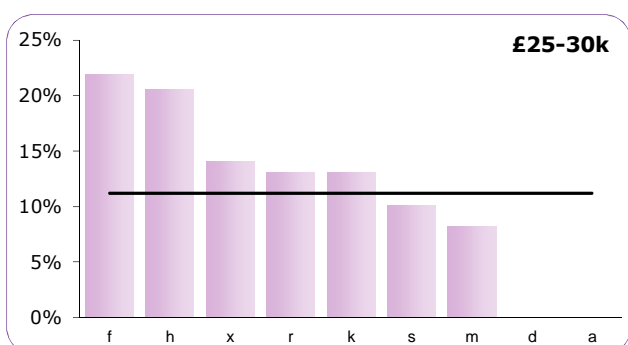
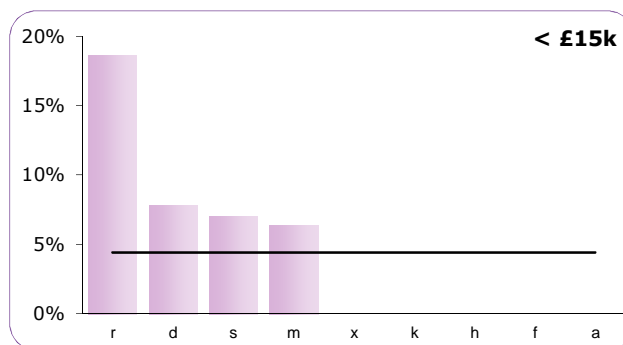
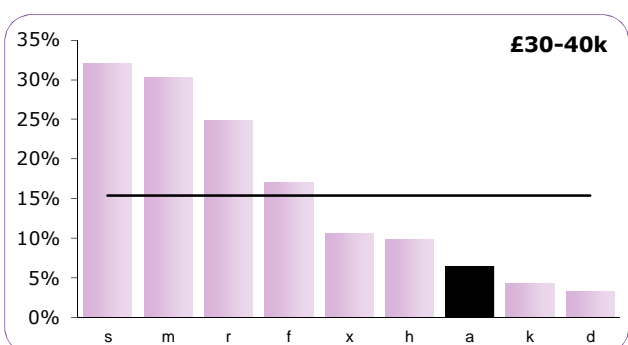
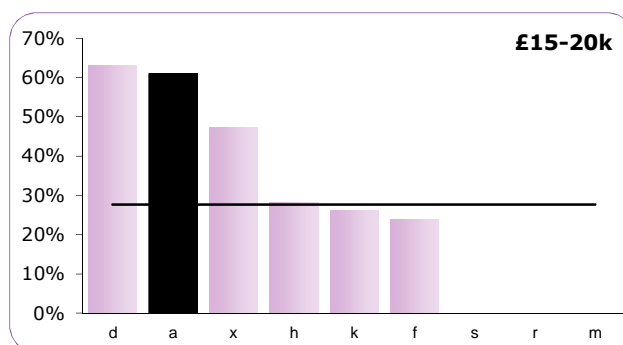
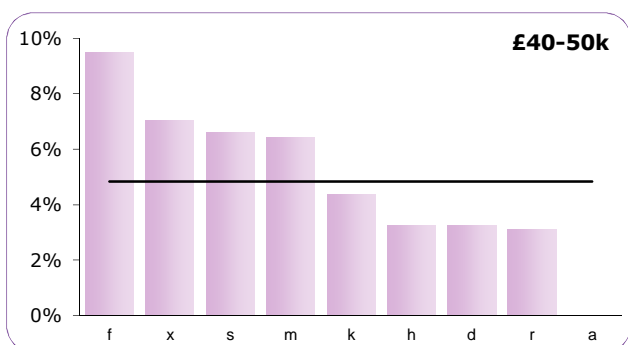
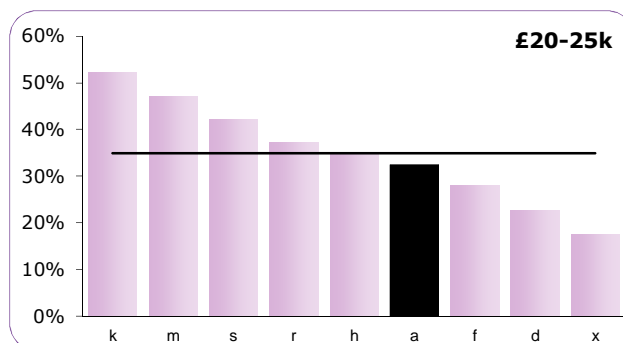
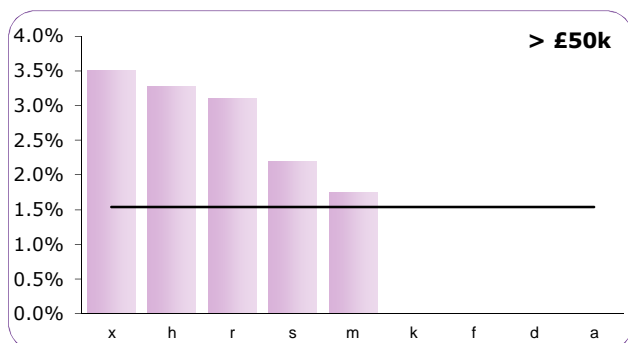


\*Club total: This shows the total for all the Benchmarking Club members 2015

Number of appeals	No.	Per '000 members	Avg	Club* total
<b>Ill-Health</b>				
In progress at start of year	0	0.00	0.04	6
In progress at end of year	0	0.00	0.03	6
<b>Non Ill-Health</b>				
In progress at start of year	0	0.00	0.07	10
In progress at end of year	1	0.04	0.10	16
<b>1st Stage</b>				
Appeals in Progress - 03.14	0	0.00	0.00	-
New Appeals in Year	1	0.04	0.10	17
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.03	4
Appeals Not Upheld	0	0.00	0.05	9
Appeals in Progress - 03.15	1	0.04	0.02	5
<b>2nd Stage</b>				
Appeals in Progress - 03.14	0	0.00	0.01	2
New Appeals in Year	0	0.00	0.00	1
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.01	1
Appeals Not Upheld	0	0.00	0.01	2
Appeals in Progress - 03.15	0	0.00	0.00	-
<b>Ombudsman Referrals</b>				
Appeals in Progress - 03.14	0	0.00	0.00	1
New Appeals in Year	0	0.00	0.01	1
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.00	-
Appeals Not Upheld	0	0.00	0.01	2
Appeals in Progress - 03.15	0	0.00	0.00	-

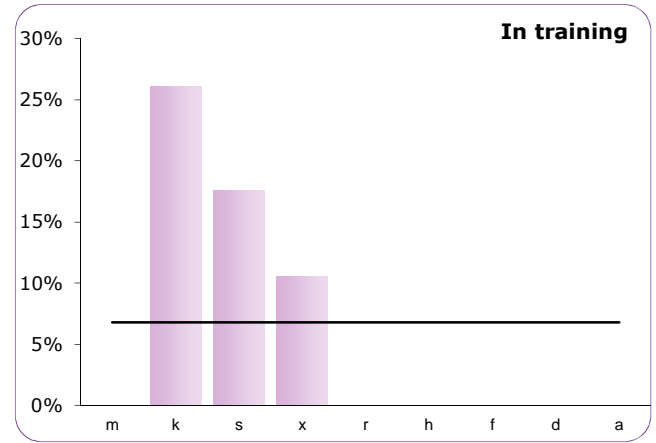
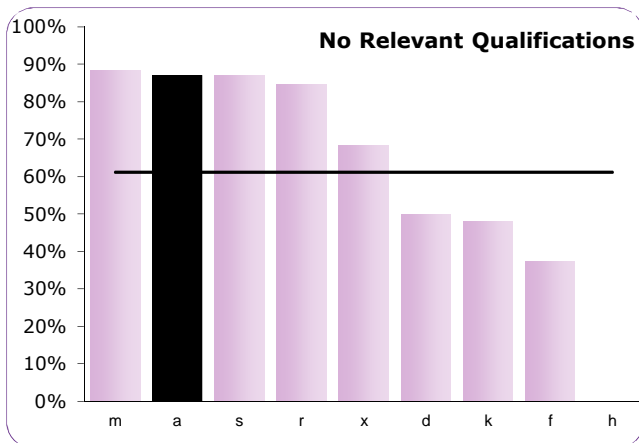
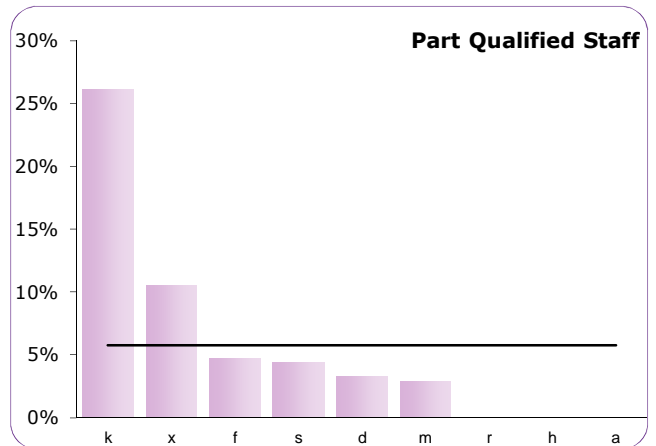
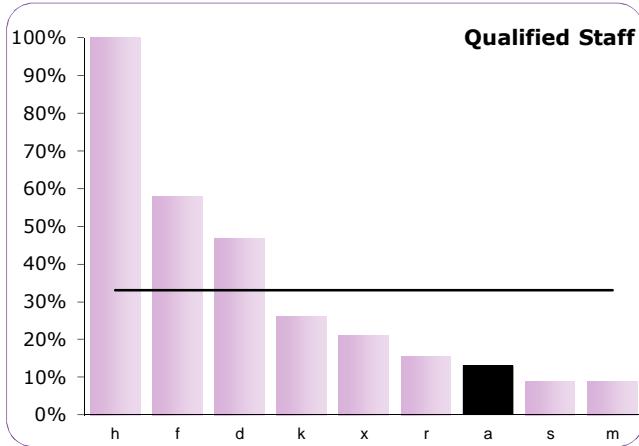
## SECTION 4 - STAFF RELATED MEASURES

### STAFF PAY



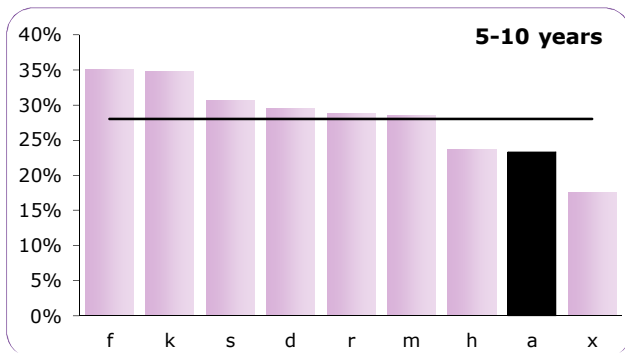
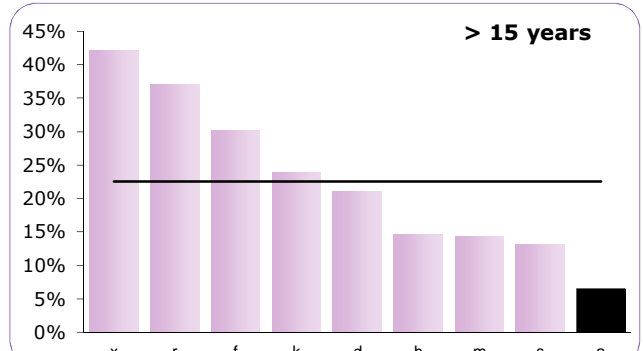
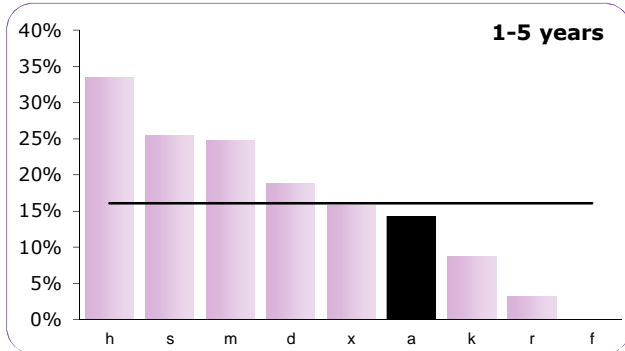
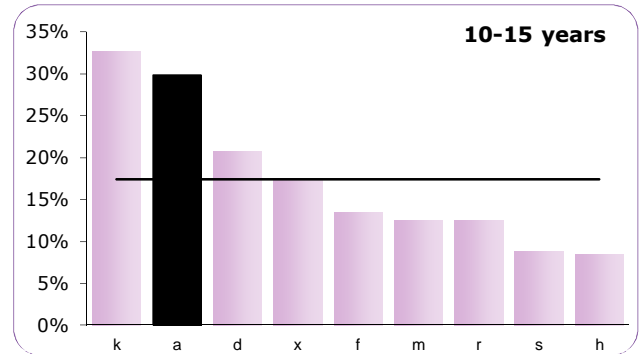
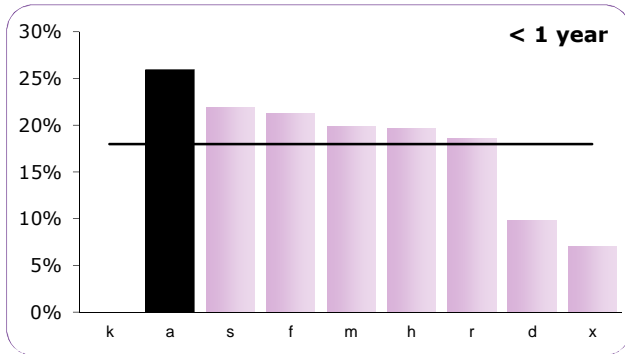
Staff pay			
	FTE	%	Avg
> £50k	0.0	0%	2%
£40-50k	0.0	0%	5%
£30-40k	1.0	6%	15%
£25-30k	0.0	0%	11%
£20-25k	5.0	32%	35%
£15-20k	9.4	61%	28%
< £15k	0.0	0%	4%
<b>Total</b>	<b>15.4</b>		

## STAFF QUALIFICATIONS



Staff qualifications			
	FTE	%	Avg
Qualified Staff	2.0	13%	33%
Part Qualified Staff	0.0	0%	6%
No Relevant Qualifications	13.4	87%	61%
<b>Total</b>	<b>15.4</b>		
Number in Training	0.0	0%	7%

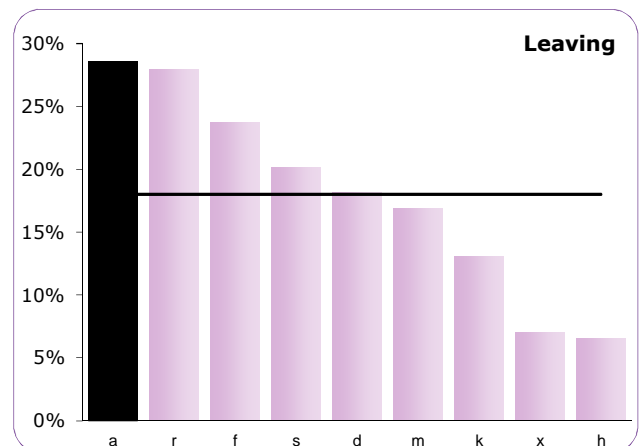
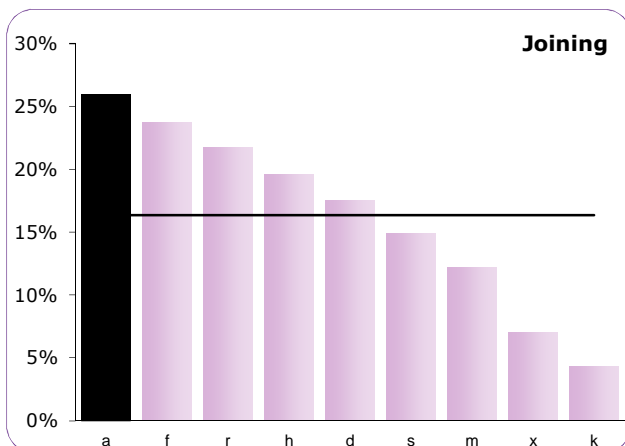
## STAFF PENSIONS EXPERIENCE



### Staff experience

	FTE	%	Avg
< 1 year	4.0	26%	18%
1-5 years	2.2	14%	16%
5-10 years	3.6	23%	28%
10-15 years	4.6	30%	17%
> 15 years	1.0	6%	23%
<b>Total</b>	<b>15.4</b>		

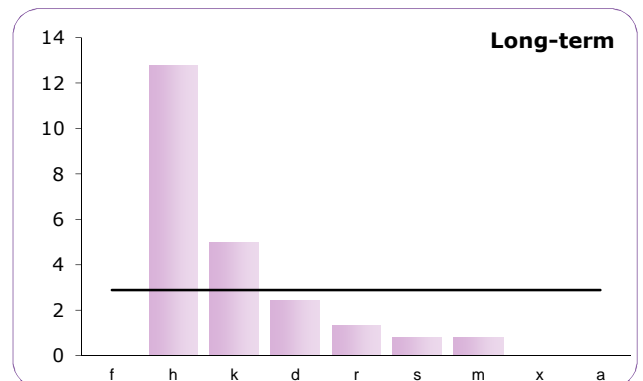
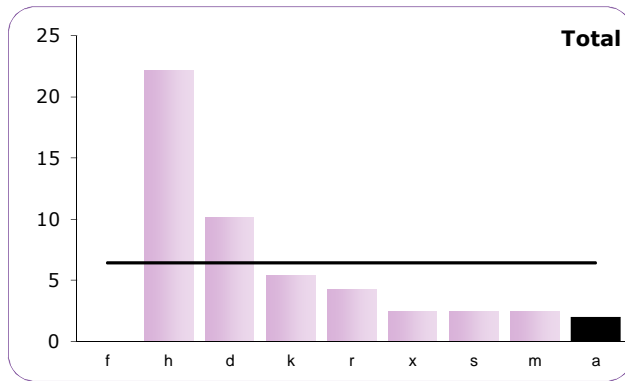
## STAFF TURNOVER



### Staff Turnover

	FTE	% change	Avg
Staff at 1/4/2013	15.8		
+ Staff joining Pension section	4.0	26.0%	16.3%
- Staff leaving Pension section	4.4	28.6%	18.0%
Staff at 31/3/2014	15.4	-2.5%	-1.1%

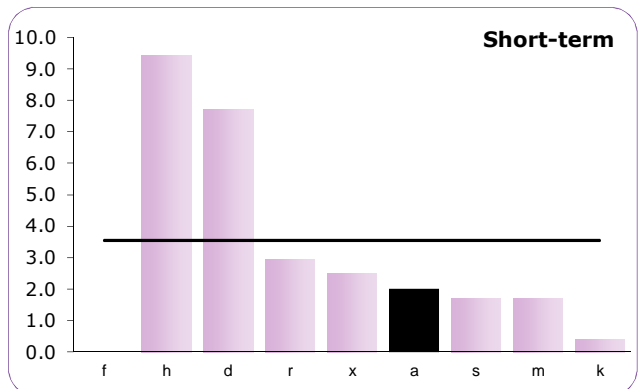
## SICKNESS ABSENCE



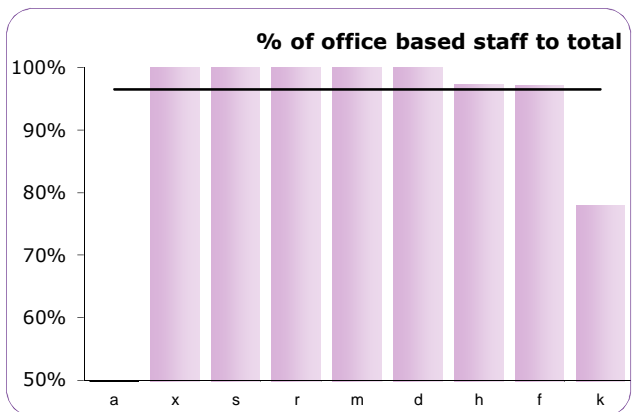
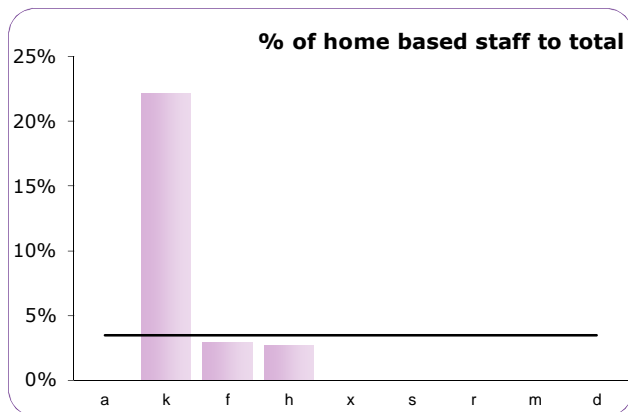
Sickness absence	Days/FTE	Avg
Long-term sickness	0.0	2.9
Short-term sickness	2.0	3.5
<b>Total</b>	<b>2.0</b>	<b>6.4</b>

Long-term sick (periods of sickness over 20 working days)

Short-term sick (periods of sickness of 20 days or less)



## STAFF LOCATION

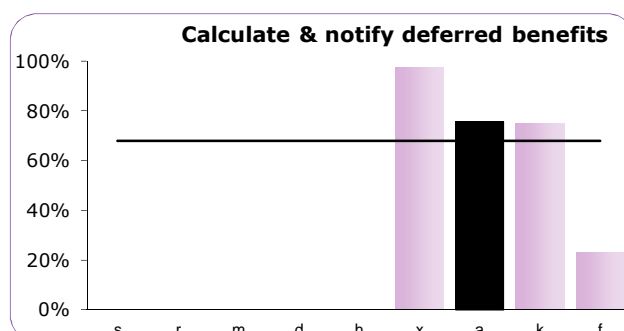
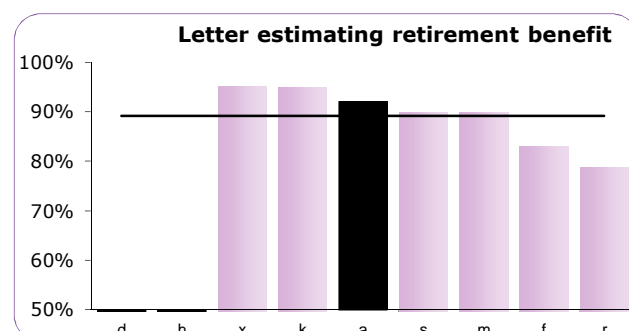
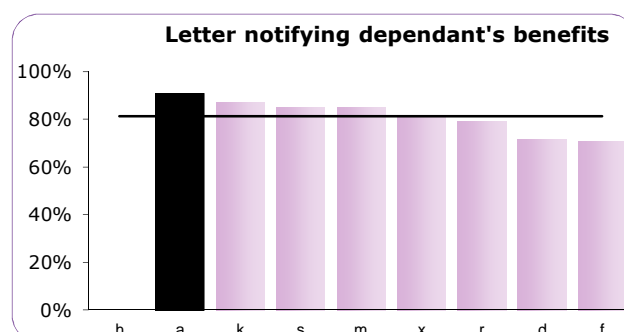
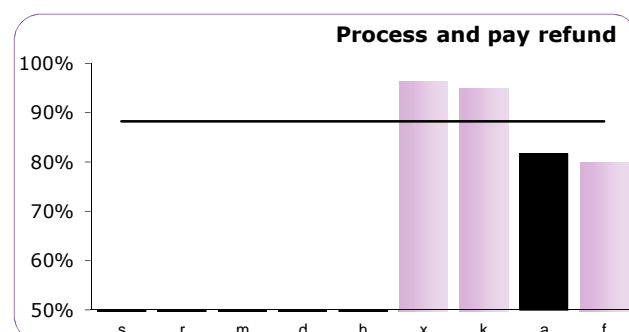
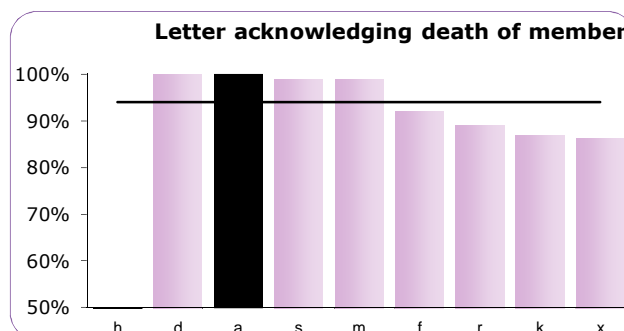
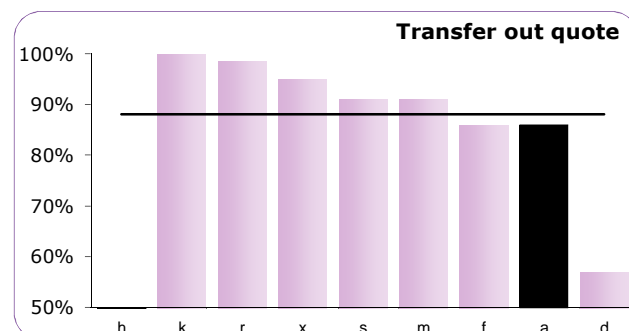
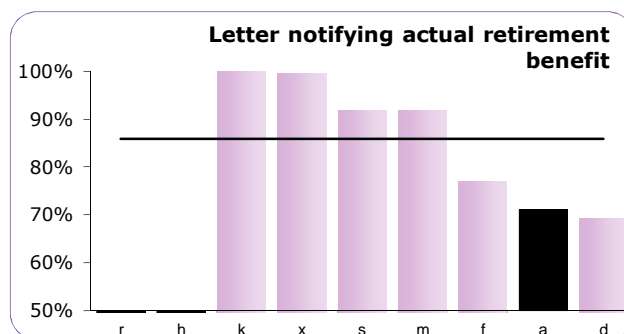
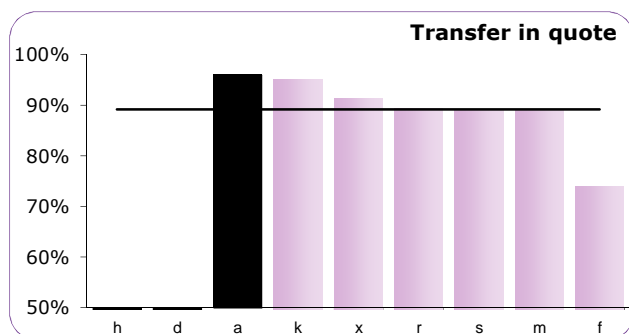


Staff location	FTE	% to total		
		Avg	FTE	Avg
Home based	0.0	0.7	na	3%
Office based	0.0	24.1	na	97%
<b>Total</b>	<b>0.0</b>			

Office Based: Staff members who spend >50% of their contracted time working in the office

Home Based: Staff members who spend 50% of their contracted time working from home.

## SECTION 5 - INDUSTRY STANDARD PI's



Industry Standard PI's	Target	Achieved	Avg
Letter detailing transfer in quote	10 days	96.0%	89.1%
Letter detailing transfer out quote	10 days	86.0%	88.0%
Process and pay refund	5 days	81.7%	88.3%
Letter notifying <b>estimate</b> of retirement benefit	10 days	92.2%	89.2%
Letter notifying <b>actual</b> retirement benefit	5 days	71.2%	85.8%
Process and pay lump sum retirement grant	5 days	71.2%	85.8%
Letter acknowledging death of member	5 days	100.0%	94.0%
Letter notifying amount of dependant's benefits	5 days	91.0%	81.3%
Calculate and notify deferred benefits	10 days	75.6%	67.8%



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### We also do...

In addition to Pensions, other Benchmarking Clubs include Accountancy, Banking, Creditors, Debtors and Payroll.

We also provide other Pensions related services through CIPFAstats and TISonline.

To learn more about other benchmarking clubs in areas such as Adult Social Care, Children's Services and Customer Contact, or to see our Value for Money indicator stream, please see our website:

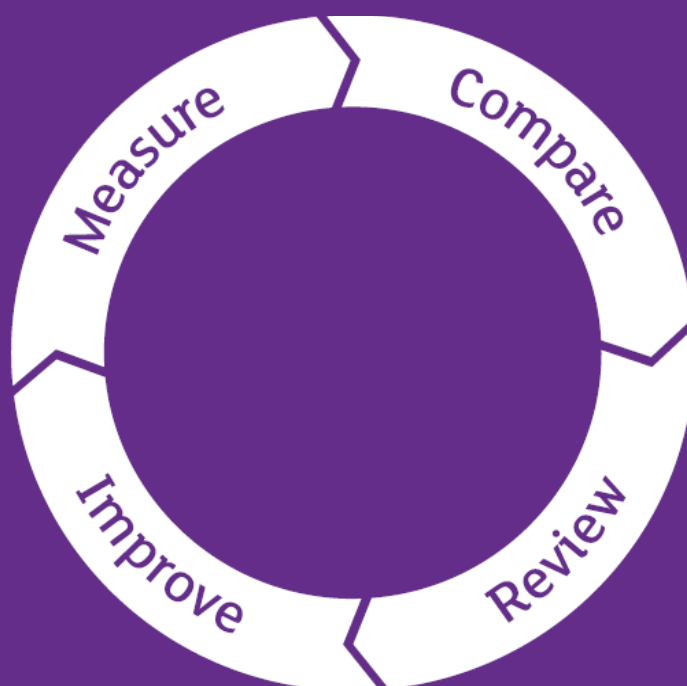
[www.cipfa.org/services/benchmarking](http://www.cipfa.org/services/benchmarking)

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Report to: **Pension Board**

Date: **4 February 2016**

By: **Chief Operating Officer**

Title: **Revised Communications Policy Statement 2015/16**

Purpose: **This report provides the Board with a draft updated 2015/16 version of the East Sussex Pensions Communications Policy for consideration.**

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## **RECOMMENDATION -**

**The Board is requested to consider the Communications Policy Statement, and propose any amendments they may wish to make to the communication policy statement**

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### **1. Background**

1.1 The Local Government Pension Scheme (Administration) Regulations 2008, regulation 67 requires administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

1.2 This report sets out the mechanisms used to meet the communication responsibilities, using the most appropriate communication methods for the audiences receiving the information. The policy requires an annual review to be carried out.

1.3 The document is attached as Appendix A to this report, and the Board Representatives are asked to consider this and propose any amendments they may wish to make to the attached communication policy statement, taking into consideration how the Board want the fund to ensure effective communication between the Fund, scheme members and participating employers.

### **2. Communications Policy Statement**

2.1 The overarching aim of the attached document is to maximise membership of the scheme through incrementally improving information and support to all members of the scheme and prospective joiners.

### **3. Conclusion and recommendations**

3.1 There is a legal requirement under the Local Government Pension Scheme Regulations for a policy and its best practice to be refreshed on a regular basis. The updated 2015/16 version of the East Sussex Pensions Communications Policy statement will be presented to the Committee for approval at its 8<sup>th</sup> February 2016 meeting.

**KEVIN FOSTER**

**Chief Operating Officer**

Contact Officer: Ola Owolabi, Head of Accounts and Pensions  
Tel. No. 01273 482017  
Email: [Ola.Owolabi@eastsussex.gov.uk](mailto:Ola.Owolabi@eastsussex.gov.uk)

Local Member(s)

All

Background documents

None

## **Communications Policy Statement East Sussex Pension Fund**

1. The Communications Policy Statement covers the policy of East Sussex County Council in its role as the administering authority for the East Sussex Pension Fund as required under Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013. Communication is at the heart of everything East Sussex Pension Fund does and is key to us achieving our administrative objectives.
2. There is now a greater awareness of pensions amongst the public than ever before resulting in an increased demand for information and this demand means that as a LGPS Fund we need to continue to be proactive in providing and delivering clear and timely communications.
3. 2015 saw changes for both the Fund and Scheme Employers as the LGPS came under the oversight of The Pensions Regulator. This change has meant that our Communications Policy regarding Scheme Employers became even more crucial to the effective administration of the LGPS, towards our joint role in maintaining the flow of accurate and timely information and ensuring compliance with The Pensions Regulator's Record Keeping Requirements.
4. 2015 also saw changes to the governance of LGPS Fund with the introduction of Local Pension Boards and the formal establishment of a Pension Committee.
5. All local government pension schemes are required to publish a statement on the approach of the Pension Fund to communication with members, prospective members and employing authorities.
6. The East Sussex Pension Fund liaises with over 109 employers and approximately 41,000 active and retired members.

### **Day to Day Responsibilities**

7. The officer responsibility for the East Sussex Pension Fund rests with the Chief Finance Officer for East Sussex County Council (with the exception of the employees' benefits service). The Chief Finance Officer and officers of the Pension Fund, who are part of Orbis (which is the shared service between East Sussex County Council and Surrey County Council), report to the Pension Committee and Pension Board. The day to day responsibility for pension governance, strategies, investment management and communication with employers rests the Head of Accounts and Pensions, who reports directly to the Chief Finance Officer.
8. Business Operations undertake the day to day functions associated with the administration of the LGPS for employees, with the day to day responsibility resting with the Head of Business Operations, who reports to the Chief Operating Officer of East Sussex County Council (all of whom form part of Orbis)

## **Overview of the Approach to Communication.**

9. The East Sussex Pension Fund communicates with a wide variety of stakeholders, each with slightly different needs.

10. The Pension Fund maintains a dedicated web-page on the County Council's website and in addition a dedicated member's website known as the East Sussex Pension Fund website (ESPF). Regular communications are issued by the East Sussex Pension Fund to both employers and members of the Fund via periodic newsletters, E-mail Alerts, meetings and statements. Newsletters are communicated electronically to all employers who are encouraged to disseminate to all relevant staff.

11. The Pension Fund also accepts electronic communication, e.g. by email, as well as the more traditional telephone and paper-based communications.

12. In addition to regular electronic or paper based updates, there is an annual general meeting for all Employers in the scheme hosted by the Administering Authority.

13. A dedicated customer telephone number, to handle the majority of queries, is maintained by the Business Operations - Orbis.

14. We recognise that individuals may have specific needs in relation to formats or language. We can, and do, respond to this on a request basis. Demand is not high enough, however, to incur the cost of automatically preparing and maintaining such alternative formats etc.

## **Communication with Deferred and Active Members.**

15. The core communication objective is that all active members, within all relevant employer organisations, are kept up to date with any changes in scheme benefits, can access scheme advice and have an awareness of the overall performance of the Investment Fund.

16. This is achieved by the following:

- Dedicated web-page on the County Council's and East Sussex Pension Fund web-site;
- Regular electronic or paper-based newsletters. For other employer bodies, this is dispatched to a lead contact (usually within the HR and Payroll function) with a request that it is shared with all relevant staff;
- Annual benefit statement posted to the home address;
- Notification of a dedicated customer query telephone line maintained by the Business Operations – Orbis;
- Maintenance and availability of Scheme Booklet;
- Advice on request about such matters as estimated retirement benefits etc.

## **Communication with Pensioners**

17. The core communication objective is to ensure that pensioners are aware of the general performance of the fund (recognising this will not impact on pensions in payment) and any specific factors that do affect pensions in payment (e.g. annual pensions increase).

18. This is achieved by the following:

- Notification of pension increase posted to the home address;
- Clear detail on customer query contact routes on payslips posted to the home address;
- Access to the websites;
- Access to periodic road shows (advertised in payslips posted to the home address).

## **Communication with Prospective Members and their Employing Authorities.**

19. The core communication objective is to ensure that all employee joiners, to all employers in the East Sussex Pension Fund, are made aware of the benefits of becoming a member of the Local Government Pension Scheme – and are assisted in the subsequent joining arrangements.

20. This is achieved by the following:

- Joiner information via all relevant employers, made available to all employee joiners;
- Access to customer query contact details;
- Access to the dedicated web-page and sites;
- Newsletters;
- Receipt of all information and opportunities afforded to existing active members as set out above.

## **Communication with all Relevant Employer Organisations**

21. The core policy communication objective is to ensure that all employers are aware of the performance of the Investment Fund (given its impact on employer contribution rates); any scheme changes impacting on the employer's HR or workforce planning; any key discretions to be exercised by the individual employer; advice on the future valuation outlook; and advice and agreement on key frequent and annual data and financial transaction flows between the administering authority and individual employers. All this is in addition to the general pensions awareness employers will wish to maintain as a 'good employer'.

22. This is achieved by the following:

- Regular employee newsletters shared with all employers;
- Specific communications on scheme changes for employers;
- Quarterly summary reports to employers on the Investment Fund through ESFOA;

- Annual general meeting with all employers dealing with investment performance, actuarial insights and any scheme changes;
- Routine sharing of employers' discretions exercised by ESCC as a preformed to enable other employers to consider their own approach.
- Direct access to the Actuary to the fund if required;
- Periodic road shows/seminars with individual groups of employers;
- Specific employer guide, both paper based and maintained on the websites;
- Briefings for groups of senior managers as requested including sharing of key committee papers produced;
- Briefings and sharing of information with union representatives.

### **Communication with the Pension Committee and the Pension Board**

23. The core communication objective is to ensure all elected members are aware of the benefits of joining the LGPS to ensure the nominated members, in their committee roles and members of the Pension Board, are kept up to date on key investment or scheme issues.
24. This is achieved by the following:
- Providing relevant information on current issues at Pension Committee and Pension Board meetings.
  - Periodic electronic briefing notes for ESCC members on key issues, but shared with all employers to share with the elected members or equivalent;
  - Detailed periodic reports to the appropriate committee to agree, for example, official responses to consultation requests. Again, these are shared with all employees to provide some pro forma guidance.
  - Detailed and dedicated training for all Members of both the Pension Committee and Pension Board.

### **Communication between the Local Pension Board, Scheme Members and Employers**

25 The Local Pension Board was established in April 2015 to assist the Committee in securing compliance with the scheme regulations and the effective and efficient governance and administration of the LGPS. It is made up of 3 scheme members' representatives and 3 scheme employers' representatives along with a non-voting independent chairman.

26 Pension Fund officers will provide professional support to the Pension Board, ensuring regular communication with members and employers through –

- Opportunity for members of the public to attend the Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in East Sussex County Council's Constitution.
- Up-to-date information will be posted on the East Sussex Pension Fund website with full terms of reference and policies of the Pension Board and how it operates.
- Officers ensuring that draft reports on investment, governance and administration matters are available for consideration.

## **Communication with other Key Stakeholders**

27. These vary from the Administering Authority Fund's Actuary to the Inland Revenue and Orbis. The needs are different. The Administering Authority takes upon itself the responsibility to ensure the most effective and efficient communication processes with these other stakeholders to ensure proper and necessary business is conducted efficiently and effectively. In addition, the Administering Authority will seek to ensure proper and professional response to media queries.

## **Communication with Council Tax Payers**

28. The core communication objective is to ensure that the Council Tax Payer are aware of the pension cost issues as part of the whole range of cost and service dynamics that the Council has to deal with. This is a matter for each individual council.

29. For ESCC, this is achieved by ensuring the pensions cost issues are a transparent part of the Council's wider approach to Reconciling Policy, Performance and Resources.

## **Conclusions and Performance Management**

30. ESCC, as Administering Authority, takes its responsibility on behalf of all employees and employers in the scheme very seriously. Communication is vital with all key stakeholders. This is not just to ensure relative needs are recognised and met but to ensure a continued high confidence in the administration of the scheme in East Sussex.

31. Each communication channel will have an obvious performance measure in terms of inputs (e.g. annual pensions meetings are held annually or telephone calls are answered within 30 seconds or post enquiries are responded to within seven days). Most importantly, it is necessary to assess the quality of the communication.

## **Key contacts**

32. As follows:

Wendy Neller  
Pensions Strategy and Governance Manager  
Business Services Department  
East Sussex County Council  
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St Anne's Crescent  
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East Sussex  
BN7 1UE  
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Chief Finance Officer  
Business Services Department  
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Marion.Kelly@eastsussex.gov.uk

Ola Owolabi  
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Tel: 01273 482017  
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Report to: **Pension Board**

Date: **4 February 2016**

By: **Head of Orbis Business Operations**

Title: **Officers' Report – Business Operations**

Purpose: **Update on the administration service provided to the Pension Fund by Orbis Business Operations**

---

## ***RECOMMENDATIONS***

**The Board is recommended to:**

- 1) note the update provided; and**
  - 2) highlight any areas of particular interest for consideration at future Board meetings.**
- 

## **1 Introduction**

1.1 Business Operations within Orbis have prepared this summary of topical administration areas that may be of interest to the Board. This report is provided for information and subjects are presented in alphabetical order and not perceived importance.

## **2 Administration Performance – Key Performance Indicators**

2.1 On a monthly basis, Business Operations reports its Key Performance Indicators (KPIs) focusing on the main areas of administration that affect scheme members. These have developed based on 'industry standard' performance indicators rather than any statutory requirements. The monthly KPI reports for Quarter 3 (Oct 15 – Dec 15) are attached as **Appendix 1**.

2.2 A modest increase in overall performance for the Quarter 3 in some areas is apparent compared with Quarter 2 and the overall impact of performance below 100% target level on certain tasks (specifically transfers) will be low because of the numbers involved and the fact that there is no impact on scheme members.

2.3 The team relocated from Uckfield to Lewes in December 2015 and there have also been a number of staffing movements with four new staff having been appointed within the last few months. None of these staff had any prior pensions administration experience so considerable resource will need to be invested over the forthcoming months in training but it is anticipated this will lead to increased team performance over time. The two remaining vacant posts are currently being recruited to.

2.4 It is recognised that there are a number of unprocessed early leavers (i.e. non retirements) outstanding which will need to be completed as part of the preparation of the valuation data (see overleaf) and it is intended to bring in temporary additional resource to address this prior to the valuation submission.

## **3 Communications with members - Annual Benefit Statements 2015**

3.1 The production and distribution of 2015 Annual Benefit statements for all employers has now been completed with the exception of one employer who failed to complete a return. Feedback regarding the new layout designed to present the information regarding both the 2008 Final Salary Scheme and the 2014 Care Scheme in a user-friendly way has been very positive.

3.2 The Pensions Regulator was accepting of the difficulties faced by pension funds in the production of Annual Statements this year but, in common with other funds, we will be sharing an improvement plan for the issue of 2016 statements with the Regulator on behalf of all 5 funds for whom we provide administration services for. The production of statements in 2016 will follow immediately after the completion of the data submissions for the 2016 triennial valuation – see below – so it is not anticipated there will any difficulty in issuing the statements by 31 August 2016, the statutory deadline.

#### **4 2016 Triennial Valuation – Administration Processes**

4.1 The triennial valuation of the fund is due as at 31 March 2016 which will set employer contribution rates for the three year period commencing April 2017. From an administrator's point of view, it is essential that the quality of the data held on the Pensions administration system is of a sufficient standard to enable the actuary to successfully complete the valuation in a timely manner.

4.2 In this regard, from the detailed information provided by the Pension Fund Strategy and Governance team, Business Operations has set up a project team to handle the valuation data preparation requirements and has agreed a project plan and reporting exercise with the Pension Fund Strategy and Governance team. Importantly, the success of this process is very dependent on the co-operation of employers in submitting timely year-end returns for 2015/16 to enable the snapshot as at 31 March 2016 to be as accurate as possible and they will be asked to submit these by 30 April 2016.

4.3 A brief valuation administration summary, extracted from the detailed project plan, is attached as **Appendix 2** for information. Although the completion of year-end returns is ultimately the responsibility of employers, including ESCC employer. . As part of the preparation of this exercise, Business Operations with support from the pension Fund Strategy and Governance team will offer meetings with those employers who may have some concerns or issues in meeting the timescales in the delivery of this data extract exercise. The accuracy of the year-end returns will impact directly on the benefits detailed in the Annual Benefit statements as well as the actuarial outcomes from the valuation in terms of setting of employer contributions.

#### **5. Conclusion**

5.1 The subject areas contained in this initial report are intended as background or the Board to assist in understanding current issues occupying the Orbis pensions administration team. We would be happy to consider the inclusion of any specific topics of interest in future.

**SIMON POLLOCK**  
**Head of Orbis Business Operations**

Contact Officer: Jason Bailey  
Tel. No. 020 8541 7473  
Email: jason.bailey@surreycc.gov.uk

# Pensions – October 2015

## Critical Performance Monitoring

Item and target time		Target	Impact	May	June	July	Aug	Sep	Oct	Comments (Where target is Red)
Transfers/ Interfunds IN –	1. Full reconciliation of every suspense account within agreed timescales	100%	L	100%	100%	100%	100%	100%	100%	
	2. Calculation of spouses benefits within specification - 5 days	100%	M	83%	76%	80%	95%	73%	89%	Of 19 cases, 2 missed target by an average of 2.5 days
Transfers/ Interfunds Out	3. Deferred benefit notifications within specified timescales -25 days	100%	L	81%	88%	94%	81%	96%	90%	
	4a. Request values within specified timescales – 10dys	100%	L	97%	94%	94%	100%	100%	95%	
Transfers/ Interfunds Out	4b. Request payment within specified timescales – 10 days	100%	L	100%	100%	100%	87%	100%	100%	
	5a. Provide quote within specified timescale - 10-25 days (ifo/tfr)	100%	L	97%	100%	100%	100%	96%	83%	Of 18 Interfund out cases, three missed target by an average of 10 days (target for interfund out is 10 days - )
Page 175	5b. Make payment within specified timescale – 5-25 days (ifo/tfr)	100%	L	60%	100%	100%	100%	91%	86%	Of 7 Interfund out cases, one missed target by 1 day
	6. Refunds - within specified timescales -10 days	100%	L	97%	100%	98%	100%	100%	100%	
	7a. Written complaints - acknowledged within 2 working days (2 days)	100%	H	1	2	0	1	0	0	
	7b. Written complaints - resolved and responded to within 5 working days (10 days for complex queries)	100%	H	1	1	0	1	0	0	
	8. Payslips despatched as per specification	100%	H	99.93 %	100%	100%	100%	100%	100%	
	9. Payroll accuracy - as specified	100%	H	100%	100%	100%	100%	100%	100%	
	10. Payment of lump sums within specification -7days	100%	M	82%	87%	92%	94%	92%	92%	
	11. Estimates provided within specified timescales – 7dys	100%	L	73%	79%	88%	95%	89%	87%	Of 174 cases, 22 missed target by 2.5 days

## Exception Commentary

Resource shortages continue impacting on results. Additional resignation received as a result of the upcoming relocation. Recruitment successful and 4 offers made and accepted (2 bank staff convert to perm and two new)

Key volume processes significantly higher than usual resulting from ESCC providing retrospective information for May-Oct 2015

Deferred Benefits backlog remains at 441 cases

## RAG Explanation

Green - 100% achievement

Amber - 90-99% Achievement

Red - Under 90% achievement

## Key Volume Processes From 1/10/15

Changes (addresses, hours, change personal details):

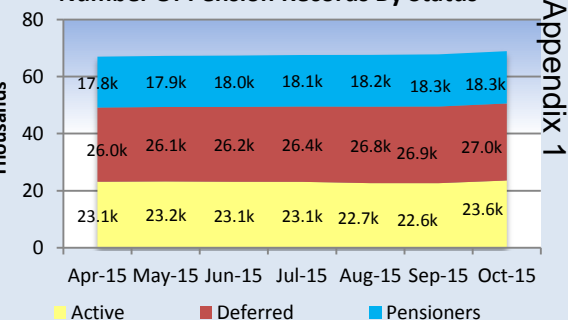
3,491 (YTD 5,513)

New Employers 1 (YTD 6)

Nominations 300 (YTD 1,099)

Starters : 1,090 (YTD 2,347)

## Number Of Pension Records By Status



# Pensions – November 2015

## Critical Performance Monitoring

Item and target time		Target	Impact	June	July	Aug	Sep	Oct	Nov	Comments (Where target is Red)
Transfers/ Interfunds IN –	1. Full reconciliation of every suspense account within agreed timescales	100%	L	100%	100%	100%	100%	100%	100%	
	2. Calculation of spouses benefits within specification - 5 days	100%	M	76%	80%	95%	73%	89%	100%	
	3. Deferred benefit notifications within specified timescales -25 days	100%	L	88%	94%	81%	96%	90%	97%	
Transfers/ Interfunds Out	4a. Request values within specified timescales – 10dys	100%	L	94%	94%	100%	100%	95%	93%	
	4b. Request payment within specified timescales – 10 days	100%	L	100%	100%	87%	100%	100%	100%	
	5a. Provide quote within specified timescale - 25 days	100%	L	100%	100%	100%	96%	83%	96%	
Page 176	5b. Make payment within specified timescale – 25 days	100%	L	100%	100%	100%	91%	86%	86%	
	6. Refunds - within specified timescales -10 days	100%	L	100%	98%	100%	100%	100%	95%	
	7a. Written complaints - acknowledged within 2 working days (2 days)	100%	H	2	0	1	0	0	0	
	7b. Written complaints - resolved and responded to within 5 working days (10 days for complex queries)	100%	H	1	0	1	0	0	0	
	8. Payslips despatched as per specification	100%	H	100%	100%	100%	100%	100%	100%	
	9. Payroll accuracy - as specified	100%	H	100%	100%	100%	100%	100%	100%	
	10. Payment of lump sums within specification -7days	100%	M	87%	92%	94%	92%	92%	95%	
	11. Estimates provided within specified timescales – 7dys	100%	L	79%	88%	95%	89%	87%	92%	

## Exception Commentary

### RAG Explanation

Green - 100% achievement

Amber - 90-99% Achievement

Red - Under 90% achievement

## Key Volume Processes From 1/11/15

Changes (addresses, hours, change personal details):

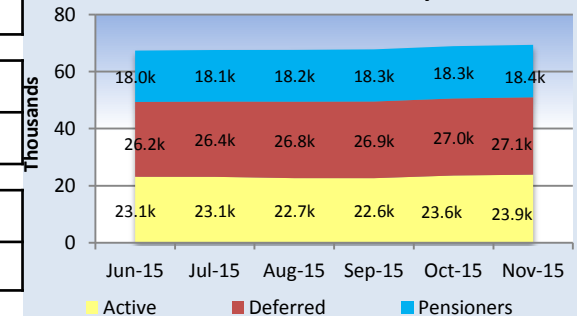
383 (YTD 5896)

New Employers 1 (YTD 7)

Nominations 166 (YTD 1265)

Starters : 601 (YTD 2948)

## Number Of Pension Records By Status



# Pensions – December 2015

## Critical Performance Monitoring

Item and target time		Target	Impact	July	Aug	Sep	Oct	Nov	Dec	Comments (Where target is Red)
Transfers/ Interfunds IN –	1. Full reconciliation of every suspense account within agreed timescales	100%	L	100%	100%	100%	100%	100%	100%	
	2. Calculation of spouses benefits within specification - 5 days	100%	M	80%	95%	73%	89%	100%	73%	Out of 11 Calculations performed, 8 were within timescale – 3 missed by an average of 3 days
Transfers/ Interfunds Out	3. Deferred benefit notifications within specified timescales -25 days	100%	L	94%	81%	96%	90%	97%	90%	
	4a. Request values within specified timescales – 10dys	100%	L	94%	100%	100%	95%	93%	98%	
	4b. Request payment within specified timescales – 10 days	100%	L	100%	87%	100%	100%	100%	100%	
	5a. Provide quote within specified timescale - 25 days	100%	L	100%	100%	96%	83%	96%	81%	Of 26 quotes , 21 were within target – 5 missed by an average of 4 days
	5b. Make payment within specified timescale – 25 days	100%	L	100%	100%	91%	86%	86%	83%	Of 12 quotes, 2 missed payment by an average of 1 day
Page 177	6. Refunds - within specified timescales -10 days	100%	L	98%	100%	100%	100%	95%	91%	
	7a. Written complaints - acknowledged within 2 working days (2 days)	100%	H	0	1	0	0	0	0	
	7b. Written complaints - resolved and responded to within 5 working days (10 days for complex queries)	100%	H	0	1	0	0	0	0	
	8. Payslips despatched as per specification	100%	H	100%	100%	100%	100%	100%	100%	
	9. Payroll accuracy - as specified	100%	H	100%	100%	100%	100%	100%	100%	
	10. Payment of lump sums within specification -7days	100%	M	92%	94%	92%	92%	95%	94%	
	11. Estimates provided within specified timescales – 7dys	100%	L	88%	95%	89%	87%	92%	93%	

## Exception Commentary

### RAG Explanation

Green - 100% achievement

Amber - 90-99% Achievement

Red - Under 90% achievement

In December 2015 we moved offices to County Hall, Lewes and were not 100% operational for 2 days.

The backlog of deferred benefits continue to remain at previously reported levels.

Staffing – We have had one retirement and two new starters for Jan 2016.

## Key Volume Processes From 1/12/15

Changes (addresses, hours, change personal details):

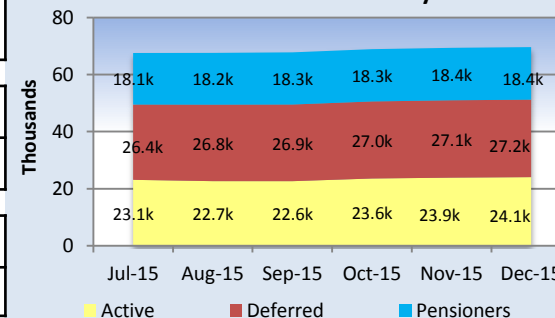
91 (YTD 5987)

New Employers 0 (YTD 7)

Nominations 96 (YTD 1351)

Starters : 79 (YTD 3037)

## Number Of Pension Records By Status



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## Valuation Project Plan – Administration Overview January to August 2016

Valuation	Start	Finish
Project kick off – statement of requirements received.	Jan 16	Jan 16
Review pre-valuation data checks from actuary	Jan 16	Mar 16
Attend Valuation training from Heywood	Feb 16	Feb 16
Issue End of Year template to employers with offer to visit employers for training/clarifications	Jan 16	Feb 16
Arrange visits/support to employers who have historically encountered difficulties	Feb 16	Feb 16
Issue reminders to employers	Mar 16	Mar 16
Further reminder issued to employers	Apr 16	Apr 16
Pursue any non-receipts of EOY returns in conjunction with ESCC pension fund	May 16	May 16
Process End of Year returns and return queries to employers for completion **Main focus of activity **	Apr 16	Jun 16
Upload completed valuation data to Fund Actuary	July 16	July 16
Deal with queries identified from Actuary	July 16	July 16
Prepare Annual Benefit Statements for all employers in the fund (assumes all employers have submitted completed EOY returns)	Aug 16	Aug 16

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Report to: **Pension Board**

Date: **4 February 2016**

By: **Chief Operating Officer**

Title of report: **Officers' Report – General Update**

Purpose of report: **To provide a general update to Members of the Pension Board on matters related to the Board activity.**

---

## **RECOMMENDATIONS – The Board is recommended to note the update.**

---

### **1. Introduction**

1.1 This report provides an update on matters relating to the Board activities.

### **2. Report Overview**

#### Cash Flow Forecast and Summary

2.1 The East Sussex Pension Fund invests any surplus cash with the Fund's custodian, Northern Trust. Over the past 5 years, the East Sussex fund has been broadly cash flow 'neutral'. The projection for the fiscal year 2015/16 is that the fund will generate a surplus of £2.7m; the estimated cash flow position will be helped by higher employer pension contribution rates set at the last triennial valuation and payable since 1 April 2015. Table 1 below shows the cash projection to 31 March 2016.

#### **PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS**

Employees Contributions

Employers Contributions

Deficit Recovery

Transfers In

#### **TOTAL INCOME**

Pensions Benefits Paid

Pensions Lump Sum Paid

Administration expenses

Transfers Out (excluding Probation transfer)

#### **TOTAL EXPENDITURE**

#### **SURPLUS CASH**

<b>Original 2015/16 £m</b>	<b>Current 2015/16 £m</b>	<b>Variance £m</b>
27.4	28.2	0.8
87.5	88.4	0.9
3.5	5.2	1.7
5.8	4.4	(1.4)
<b>124.2</b>	<b>126.2</b>	<b>2.0</b>
(97.7)	(98.1)	(0.4)
(17.4)	(18.4)	(1.0)
(2.2)	(2.2)	0.0
(3.4)	(4.8)	(1.4)
<b>(120.7)</b>	<b>(123.5)</b>	<b>(2.8)</b>
<b>3.5</b>	<b>2.7</b>	<b>(0.8)</b>

### **3. National Development - updates**

#### Local Government Pension Scheme pooling and Funds Collaboration

3.1 The Government has signalled its clear intention that LGPS investment assets should be pooled, there will be no exemptions from pooling, and all local decision making on manager selection will come to an end. That action will be taken should local funds fail to engage sufficiently with the agenda.

3.2 A paper on the LGPS pooling was presented to the Pension Committee at its September – investment strategy day meeting, and presentation on LGPS investment pooling by Hyman’s at the Committee meeting on 24 November 2015. At its November meeting, the Committee requested that officers continue to consider investment pooling and collaboration options/proposals that will meet the Government reform criteria, which was considered at its special meeting on 12 January 2016.

3.3 The Committee resolved to:

- note the DCLG Criteria regarding the LGPS Investment Pooling Proposals and Consultation on the Investment Regulations;
- approve two investment pools for further consideration;
- authorise the Chief Finance Officer to consult with agreed like-minded funds to draft the consultation response for review and approval by the Pension Committee on 8 February 2016.

#### **4. 2016 Actuarial Valuation**

4.1 The East Sussex Pension Fund (ESPF) is subject to an actuarial valuation every three years. The last valuation of the Fund was in 2013 with the next valuation to be undertaken as at 31 March 2016. The basic purpose of the valuation is to assess the Fund’s assets and liabilities and calculate the rate of each employer’s contribution rate for the three years from April 2017. (Timetable and road map attached as Appendix 1 & 2)

#### **5. Changes to Membership and Other Membership matters**

5.1 The details of bodies that have ceased or been admitted to the fund under the CFO delegation within the last six months is attached as Appendix 5.

#### **6. GMP Reconciliation**

6.1 The Fund has an obligation to ensure we are paying the correct level of Guaranteed Minimum Pension (GMP) now and in the future. A GMP reconciliation gives the Fund the confidence that the correct level of benefits have been secured and that the membership entitled to benefits from the Scheme is clearly defined. A GMP data cleansing exercise is in line with best governance practice.

6.2 A GMP Comparison Report for East Sussex Pension Fund is attached (Appendix 3), which summarises the results of the independent Guaranteed Minimum Pension (GMP) comparison undertaken by ITM Limited (ITM) for the Fund. GMP reconciliation can be thought of as a 2 stage process. The first stage comprises a population reconciliation in order to compare the membership data, while the second part of the process is the GMP value reconciliation itself. The analysis suggests there is a significant amount of work required to reconcile the data and it highlights the importance of undertaking a reconciliation exercise. The Fund and the administration need to meet to consider the next steps in how to take this exercise forward.

#### **7. Public Sector Recovery of Exit Payments Regulations**

7.1 The Government issued draft regulations on 21st December 2015 (Appendix 4) concerning the recovery of Exit Payments made to those employees with the public sector and

returning to the same within a period of 12 months. The Regulations are **due to take effect from April 2016**. This matter was the subject of consultation some 12 months ago and subsequent to the governments own 'post consultation' response, there have been some further significant changes announced in the latest and final consultation. These changes include:

- lowering the minimum earnings threshold for individuals subject to the recovery provisions from £100,000 to £80,000
- applying the policy to qualifying returns to any part of the public sector, instead of only returns to the same part of the public sector
- the recovery amount will be reduced over time for a return at any point up to 12 months from exit
- and recovery will include employer funded pension 'top up' payments made under the Local Government Pension Scheme to align with the recovery of other similar payments.

7.2 The draft regulations consultation closed on **25th January 2016**.

## **8. Pension Board Agenda – May 2016**

8.1 The draft agenda for the next Board meeting include the following-

- Reporting Breaches Policy and Procedure (previously scheduled for February meeting)
- Key member and employer communications
- Pension administration statement
- Discretionary policy statement
- External Assurance Reports from Third Parties
- Annual Report
- Internal dispute resolution procedure

## **9. Conclusion and reasons for recommendations**

9.1 The Board is requested to note the general update regarding the Pension Fund activities.

**KEVIN FOSTER**

**Chief Operating Officer**

Contact Officers:

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[ola.owolabi@eastsussex.gov.uk](mailto:ola.owolabi@eastsussex.gov.uk)

Local Member(s):

All

Background documents:

None

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## **The draft 2016 Valuation plan route map and timetable**

The East Sussex Pension Fund (ESPF) is subject to an actuarial valuation every three years. The last valuation of the Fund was in 2013 with the next valuation to be undertaken as at 31 March 2016. The basic purpose of the valuation is to assess the Fund's assets and liabilities and calculate the rate of each employer's contribution rate for the three years from April 2017.

Please find in Appendix 2 an agreed timetable with the Fund actuary of key dates to ensure the valuation process can be completed within a timely manner so that the new employer contribution rates can be provided to employers before April 2017. In addition, by way of a visual representation of the whole valuation processes please see a 'route map' in Appendix 2. This plan is a guide and will continue to refine and update as we progress through the 2016 valuation project.

Following the 2013 valuation it was identified that a different approach to funding may be required for certain employers in the Fund, in particular, those employers closed to new entrants who will be required to pay a gilts cessation debt when they eventually cease participation in the Fund. As part of the covenant review process in readiness of the 2016 actuarial valuation (as seen in Appendix 2), we as a Fund met with employers in order to discuss in more detail the changes in funding strategy and the likely impact on contribution rates from April 2017. These meetings were received well and ongoing discussions are taking place to ensure that employers are well informed.

It is important that results are accurate and provide appropriate information to help employers plan for the future. Any error in the valuation data will lead to an incorrect value being placed on employer's assets and liabilities which ultimately feeds into the contribution rate. Increased scrutiny from the Pensions Regulator ("tPR") and the Scheme Advisory Board ("SAB") means that clean data has taken on ever more significance. Recognising this the Fund agreed with the Fund actuaries to carry out data cleansing during November and December 2015, initial results are expected from this in January 2016.

Further to discussions with Business Operations – pensions in the latter part of last year, the Fund on the 8th January 2016 provided a detailed proposed timetable and guidance regarding carrying out delivery of the membership data required for the 2016 valuation. As part of the agreed actions in support of the administration the Fund will communicate to employers over coming month the necessary requirements and key timelines in submission of relevant data by employers to the administration. It is also important that the administration delivers to employers and the Fund in respect of the agreed timeline..

By way of modernising and in support of administrative processing all LGPS actuarial advisors and administrative software providers have been working together to introduce a universal data specification for all valuation and employer work. In addition a new online tool "data portal" has been introduced which will be used as part of the 2016 valuation data collecting exercise, this online tool is helpful to the administration as it will help automate processes as above.

**Wendy Neller | Pensions Strategy and Governance Manager**

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## East Sussex Pension Fund 2016 valuation timetable

	Event	Responsibility	Proposed timescale
Planning	<b>Meetings with officers</b>		
	P1 'Risky employers' analysis and strategy	Actuary/ESPF	August 2015
	P2 Assumption setting and valuation process	Actuary/ESPF	November 2015
	P3 Agree draft valuation assumptions and funding strategies	Actuary/ESPF	May 2016
	P4 Initial whole fund results	Actuary/ESPF	September 2016
	P5 comPASS results	Actuary/ESPF	October 2016
	P6 Employer results	Actuary/ESPF	November 2016
	<b>Employer risk management</b>		
	P7 Provide analysis on 'risky employers'	Actuary	June 2015
	P8 Separate meetings with 'risky employers'	Actuary/ESPF	28th & 29th October 2015
	P9 Employer risk profiling	Actuary/ESPF	Jan - Feb 2016
	P10 Discuss risk bandings & RAG ratings for funding strategy	Actuary/ESPF	March 2016
	P11 Confirm contribution stability mechanism	Actuary/ESPF	October 2016
	<b>Funding Strategy Statement</b>		
	P12 Agree policy on ill health liability insurance	Actuary/ESPF	September 2015
	P13 Agree on use of HEAT for 2016 valuation asset allocation	Actuary/ESPF	October 2015
	P14 FSS - first draft	Actuary	December 2015
	P15 Review other Fund policies	Actuary/ESPF	Jan - May 2016
	P16 Finalise FSS ahead of employer consultation	Actuary/ESPF	November 2016
	P17 Employer consultation period	Actuary/ESPF	Dec 2016 - Jan 2017
	P18 Sign off	ESPF	March 2017
	<b>Valuation correspondence</b>		
	P19 60 Seconds Summary on "Understanding deficits"	Actuary	July 2015
	P20 60 Seconds Summary on "Measuring deficits"	Actuary	August 2015
	P21 Briefing Note on "Managing deficits"	Actuary	October 2015
	P22 Briefing Note on data	Actuary	December 2015
	P23 Data specification issued	Actuary	January 2016
	P24 Briefing Note on valuation methodology	Actuary	March 2016
	P25 Briefing Note on assumptions	Actuary	May 2016
Valuation	<b>Membership and other data</b>		
	V1 Data cleansing	Actuary	Nov - Dec 2015
	V2 Data specification issued	Actuary	January 2016
	V3 Data portal set up	Actuary	March 2016
	V4 Receive data	ESPF	July 2016
	V5 Validations and clean data letter	Actuary	August 2016
	<b>Valuation results</b>		
	V6 Valuation calculations	Actuary	August 2016
	V7 Initial whole fund results	Actuary	September 2016
	V8 Revisions and additional analysis e.g. for major employers	Actuary	October 2016
	V9 Draft employer results	Actuary	November 2016
	<b>comPASS modelling</b>		
	V10 Agree scope and scenarios	Actuary/ESPF	June 2016
	V11 Receive cashflow and asset data	ESPF	July 2016
	V12 Calculations	Actuary	September 2016
	V13 comPASS results	Actuary	October 2016
	<b>Cashflow projections</b>		
	V14 Cashflow projections	Actuary	January 2017
	V15 Sensitivity of projections (if required)	Actuary	February 2017
	<b>Final valuation results</b>		
	V16 Issue 'like-for-like' results to SAB	Actuary	September 2016
	V17 Sign-off final report and R&A	Actuary	March 2017
Reporting	<b>Committee / LPB meetings</b>		
	R1 Training - valuation basics and 2013 results	Actuary/ESPF/PC/LPB	December 2015
	R2 Training - funding strategy and assumptions	Actuary/ESPF/PC/LPB	March 2016
	R3 Present draft whole fund results	Actuary/ESPF/PC/LPB	September 2016
	R4 Present final results	Actuary/ESPF/PC/LPB	December 2016
	<b>Employer consultation</b>		
	R5 Issue early warning reports	Actuary/ESPF	March 2016
	R6 Finalise funding approach for 'risky employers'	Actuary/ESPF	May 2016 - July 2016
	R7 Employer results forum and surgeries	Actuary/ESPF	November 2016
	R8 Employer consultation period	Actuary/ESPF	Dec 2016 - Jan 2017
	<b>Valuation reports (inc R&amp;A)</b>		
	R9 Discussion document	Actuary	September 2016
	R10 Draft final report	Actuary	January 2017
	R11 R&A discussions	Actuary/ESPF	February 2017
	R12 Sign-off final report and R&A	Actuary	March 2017

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# *GMP Comparison Report for East Sussex County Council Pension Fund*

Gavin Penney  
11th November 2015



# Contents

<b>1</b>	<b><i>Executive summary</i></b>	<b>3</b>
1.1	Overview	3
1.2	Population reconciliation	3
1.3	GMP reconciliation	5
1.4	Conclusions and recommendations	6
<b>2</b>	<b><i>Reconciliation approach</i></b>	<b>8</b>
2.1	Methodology used	8
2.2	Data sources	8
<b>3</b>	<b><i>Analysis of GMP data</i></b>	<b>9</b>
3.1	ECON/SCON details	9
3.2	Population analysis	9
3.2.1	Members on administration system but not on HMRC records	9
3.2.2	Members on HMRC records but not on administration system	11
3.3	GMP mismatch analysis	12

# 1 Executive summary

## 1.1 Overview

This report summarises the results of the independent Guaranteed Minimum Pension (GMP) comparison undertaken by ITM Limited (ITM) for East Sussex County Council Pension Fund (the Fund) on behalf of East Sussex County Council (the Client). A separate report has been provided for the Firefighter's Pension Scheme.

A GMP reconciliation can be thought of as a 2 stage process, although these stages can be actioned simultaneously. The first stage comprises a population reconciliation in order to compare the membership data provided by Her Majesty's Revenue and Customs (HMRC) with that held on the Fund records. Frequently this comparison leads to a number of members who are either held on HMRC's records but not on the administration system or vice versa. These membership issues can be more important than the GMP reconciliation in terms of the finances of the Fund and until these issues are addressed the GMPs cannot be fully reconciled.

The second part of the process is the GMP value reconciliation itself. Initially GMPs can only be compared for members held on both HMRC's records and the administration system, but following the membership reconciliation further GMP differences may be identified.

The summary of ITM's findings, along with our recommendations for future activity, is given in this Executive Summary. Further detailed analysis on the reconciliation is supplied in the remainder of the report.

## 1.2 Population reconciliation

The following table provides a summary of the population analysis that ITM has conducted on the data provided. This reconciles the Fund population recorded by the administrator with the data held by HMRC.

	Active	Below GMP age		Above GMP age		Widow(er)	Unknown	Total
		Deferred	Pensioner	Deferred	Pensioner			
Total admin system population	23,527	27,116	2,000	1,148	13,201	2,288	0	69,280
- On admin system but no HMRC record	22,160	10,847	373	716	3,181	1,017	0	38,294
= On both admin and HMRC records	1,367	16,269	1,627	432	10,020	1,271	0	30,986
+ On HMRC records but not admin system	0	4,305		2,357		357	218	7,237
= Total HMRC records population	1,367	22,201		12,809		1,628	218	38,223

The discrepancies between the administration and HMRC records are illustrated in the charts below and further detail is provided in section 3.2.

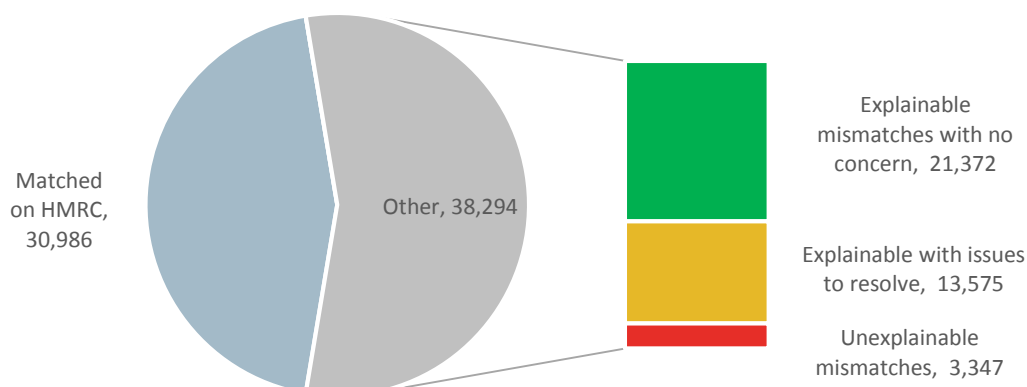
Note that the HMRC status is based on whether the member is over or under GMP age. As a result the deferred members under GMP age and pensioners under GMP age are both recorded as deferred members

on HMRC data. Likewise deferred members over GMP age and pensioners over GMP age are both recorded as pensioners on HMRC data. Also note that HMRC's Scheme Reconciliation Service (SRS) data is not intended to include active members still in contracted-out employment. HMRC data on these members will be made available as part of the Scheme 'closure scan', which will be completed by HMRC shortly after contracting out ceases in April 2016.

The discrepancies between the administration and HMRC records can be caused by a wide range of factors, many of which can be easily explained. ITM has analysed these discrepancies and identified cases where there is the greatest cause for concern.

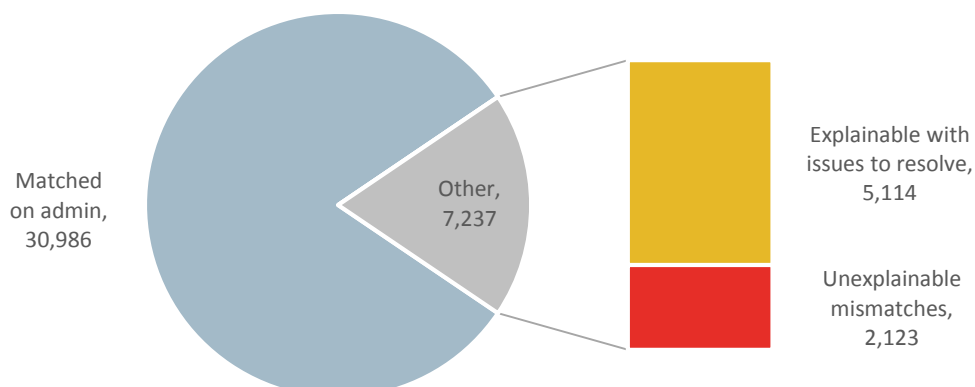
This analysis is summarised by the following charts.

### Administration records



This shows that of the 38,294 administration records where there is no direct match on the HMRC data, our analysis provides a probable explanation for 34,947 records. Of these, 21,372 are of no concern because they are in respect of active records without a transferred in GMP or other special GMP liability.

### HMRC records



Here, it can be seen that 2,123 of the 7,237 HMRC records that could not initially be matched to administration data require much more extensive investigation.

## 1.3 GMP reconciliation

For the Fund population, GMP values have been compared with figures supplied by HMRC. The results of this comparison are summarised below.

GMP match tolerance	Active	Below GMP age		Above GMP age		Widow(er)	Total
		Deferred	Pensioner	Deferred	Pensioner		
Exact match on GMP	124	2,781	709	66	3,138	79	6,897
Agrees, no GMP *	813	11,608	376	276	1,485	67	14,625
£0.01 to £0.05 per week	9	199	63	24	1,467	246	2,008
£0.06 to £0.25 per week	8	89	18	12	1,824	223	2,174
£0.26 to £0.50 per week	3	97	9	3	534	66	712
£0.51 to £1.00 per week	3	89	19	8	356	90	565
£1.01 to £2.00 per week	6	114	24	2	288	119	553
£2.01 to £5.00 per week	8	210	60	2	237	144	661
£5.01 to £10.00 per week	0	73	27	3	132	63	298
More than £10.00 per week	1	30	41	2	206	58	338
No GMP recorded on HMRC list **	9	96	22	3	87	4	221
No GMP recorded on Admin list **	383	880	259	31	196	62	1,811
HMRC error code ***	0	3	0	0	70	50	123
Total records on admin and HMRC	1,367	16,269	1,627	432	10,020	1,271	30,986

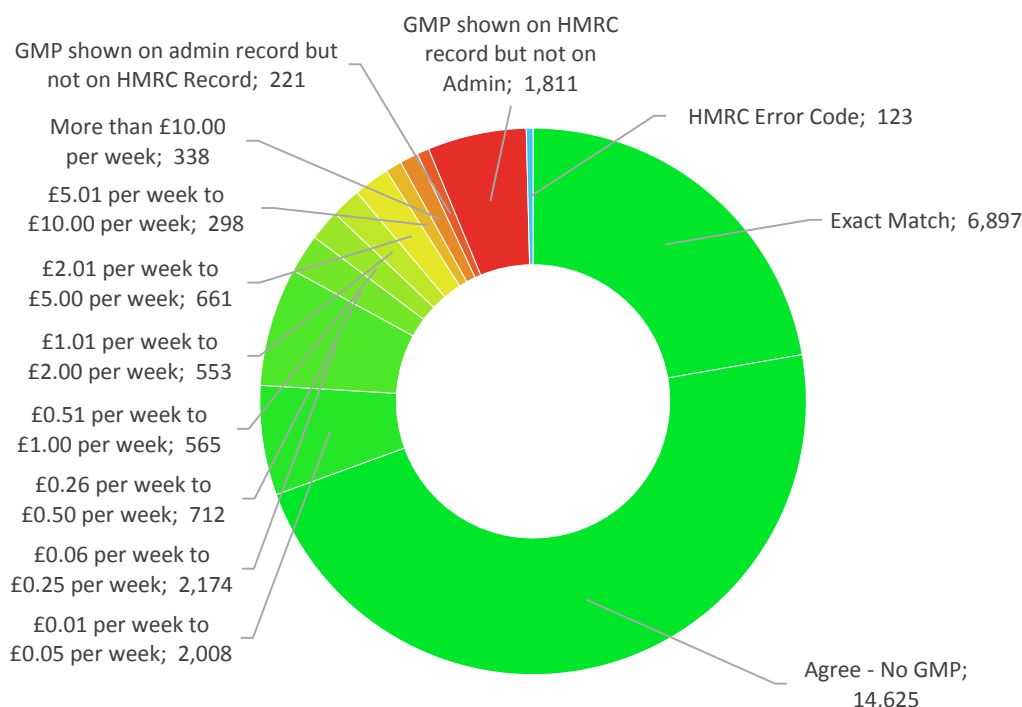
\* Members where GMP is zero on both administration and HMRC records.

\*\* Members who are on both the admin and HMRC lists but only have a GMP value on one of them. This includes some members who have inconsistently held data on admin that could not be used in the GMP comparison process for this report. Further, 100 of the 196 pensioners are females who are over GMP age but under SPA, and not a concern.

\*\*\* Members where HMRC records are incomplete and subject to further investigation by HMRC before GMP details can be reconciled.

This analysis is summarised in the following chart.

## GMP mismatch analysis



## 1.4 Conclusions and recommendations

The key findings of this report are:

- ▶ Initially our analysis showed that 38,294 of the 69,280 admin system population have no HMRC record. However, many of these can be quite easily explained. A likely explanation for 34,947 cases has been identified. The remaining 3,347 members would need more extensive investigative work. Our comments and suggestions are detailed in Section 3.2.1 below.
- ▶ Initially our analysis also showed that HMRC hold records for 7,237 members who are not held on the admin system. However, we have been able to identify potential reasons for the mismatches in 5,114 cases, leaving a further 2,123 members who would require more extensive investigation. This includes 1,333 records for people under State Pension Age who will be written to by HMRC between now and December 2018 to advise that they had contracted-out service in the Fund, and hence may contact the Fund at that point to make this claim. Further commentary is provided in Section 3.2.2 below.
- ▶ In addition, HMRC records contained 341 members with an error code meaning that HMRC's own records were insufficient to produce a reconciled GMP figure. 123 of these error code HMRC records could be matched to an administration record. These will all need to be queried with HMRC.
- ▶ There are 575 pensioners and 265 widow(er)s currently in receipt of GMPs that differ from the HMRC recorded amounts by more than the commonly accepted £2 per week tolerance. These cases will need to be investigated by a number of methods using approaches that will be proposed by ITM. If it is determined that the Fund's GMP is incorrect, then a plan to correct pensions will need to be considered.
- ▶ A further 128 pensioners under GMP age and 320 deferred pensioners have a GMP recorded that differs from the HMRC values by more than £2 per week. Again these cases will need to be investigated by a number of methods, and ITM will suggest approaches when we meet to review this

report. If it is determined that the Fund's GMP is incorrect then a plan to correct pensions will need to be considered.

- ▶ There are 6,012 members where GMPs mismatch but by less than £2 per week. This discrepancy is within the commonly accepted tolerance level so the HMRC figures may be accepted, subject to administering authority agreement. A decision still needs to be taken on how to then correct administration records, and particularly pensions in payment.
- ▶ There are 239 dependant pensioners where there is no clear link back to the deceased member's record. These should all be investigated and linkages established wherever possible. Further GMP discrepancies may arise with dependants once matching has been completed.
- ▶ The recommended actions following this report will be discussed in more detail at the forthcoming meeting, the date of which will be confirmed shortly. These will cover two main areas of activity:
  - *Resolving population discrepancies:*
    - (i) *On HMRC records but not on administration system*
    - (ii) *On administration system but not on HMRC records.*
  - *Resolving GMP comparison discrepancies:*
    - (i) *GMP mismatches over £2 per week*
    - (ii) *GMP is zero on administration system but non-zero on HMRC*
    - (iii) *GMP is zero on HMRC records but non-zero on administration system.*

ITM will provide further details of our recommended approaches when we meet to discuss this report, and then look forward to being able to produce a formal proposal to further assist the Client with the GMP reconciliation.

## 2 Reconciliation approach

### 2.1 Methodology used

We have undertaken an automated reconciliation of the available data sources for the Fund's GMP records. This was done using our Data Analysis and Reporting Tool (eDAaRT). eDAaRT imports data from any pension administration system and uses SQL based queries to analyse the data held.

The findings of the automated reconciliation are validated by our team of analysts and, where appropriate, by reference to the Fund administrators.

All of the data, processes followed and outputs from this reconciliation are captured for audit purposes and can be used as reference for any future work that may be required to update or correct GMP records.

### 2.2 Data sources

Data used in this reconciliation has been supplied from the following sources.

Source	Contents
Administration system	Basic member data Contracted out history GMP benefit information
HMRC GMP data provided as a Scheme Reconciliation Service (SRS) file from HMRC systems	Basic member data Contracting out dates GMP benefit information

Within the administration system there are a number of different sources of GMP data, typically having been calculated at different dates. Part of the purpose of a GMP reconciliation is to ensure that members are being or will be paid their correct benefit entitlement. Accordingly we have derived the GMP data at 18 November 2014 from what we believe is the most appropriate source of GMP data as follows.

- ▶ For pensioners over GMP age we have taken the current GMP in payment and discounted back to state pension age (SPA).
- ▶ For widows and widowers in payment we have taken the current GMP in payment and discounted back to date of death (DOD). Where the member died after 18/11/2014 we have taken account of this and derived the member's GMP at date of exit (DOE). In the case of dependants who appear on the leaver type 5 correction files however, GMP values compared were the 'at SPA' values from the first life record. This is because HMRC provided GMP values on a different basis compared to the main SRS data.
- ▶ For deferred members and pensioners under GMP age we have taken the GMP values at date of leaving (DOL).



## 3 Analysis of GMP data

The following sections give the detailed findings of our analysis of the GMP data sources provided. Supplementary listings are available showing the members identified in each section.

### 3.1 ECON/SCON details

HMRC record contracted out details for individuals against two separate contracting out numbers.

**ECON (Employer Contracting Out Number)** – Payroll record submissions made by employers showing contracted out earnings for individuals in each tax year are recorded against the ECON. These records are made available to the Fund administrators via HMRC. It is common for there to be multiple ECONs that are applicable for members of a pension scheme resulting from mergers and acquisitions. ECONs that have been used in this analysis shown below.

ECON	Employer name
E3900002R	Public Sector Employers

**SCON (Scheme Contracting Out Number)** – When a member ceases active service in a scheme, the administrator notifies HMRC of this via submission of the appropriate CA form. HMRC then associates the period of contracted out service that has just ended with the SCON and calculates the GMP for this period using the contracted out earnings recorded under the separate ECON. As with ECONs, it is not unusual to find multiple SCONs associated with one current scheme. SCONs that have been used in this analysis are shown below.

SCON	Scheme
S2700148T	East Sussex County Council Pension Fund

The findings of our population analysis suggest there remain 16,134 members of the Fund where no HMRC record has been identified and most of whom should have contracted out service. It is therefore possible that further ECON / SCON information may enable these cases to be reconciled.

### 3.2 Population analysis

#### 3.2.1 Members on administration system but not on HMRC records

Administration records for these members have been further analysed to determine the likely reasons for them not being identified by HMRC. This has resulted in the population groups shown in the table below. The suggested actions shown for each group should be considered.

Id	Reason for mismatch	Active	Below GMP age		Above GMP age		Widow(er)	Total
			Deferred	Pensioner	Deferred	Pensioner		
1	Unlinked dependant records	0	0	0	0	0	239	239

**Suggested actions:**

Carry out analysis of available data sources to establish as many links as possible. For the remaining links that cannot be established, member details should be submitted to HMRC for resolution.

2	Temporary or invalid NI numbers	13	213	0	32	0	2	260
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**Suggested actions:**

Note, the Widow(er) members relate to the NI numbers recorded for the original member. HMRC does not use temporary NI numbers in their records so it is not possible to match any of these members to the HMRC data. A combination of tracing and file review is suggested to identify the correct NI details for these members.

3	No period of GMP accrual within the Fund	20,271	9,594	214	410	1,322	151	31,962
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**Suggested actions:**

Member service is entirely pre 78 or post 97. Inform HMRC of post 97 joiners with contracted out service.

4	Active employees	22,160						22,160
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**Suggested actions:**

SRS files do not contain HMRC GMP data for members still in contracted-out service. It is recommended that COCIS data is requested. This will include contracting-out earnings/contributions data for these members, enabling their HMRC data to be matched to their administration record.

5	Multiple admin records	4,050	4,021	130	116	1,043	64	9,424
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**Suggested actions:**

These members have been identified because they have two administration records which cannot be uniquely matched to HMRC records. The data should be further analysed to resolve as many of these cases as possible.

The analysis above provides an explanation for 34,947 members in the administration data that cannot be linked to HMRC data. However, some of these members may be reported under multiple headings and so the total of the members in the table above may be higher.

This leaves the following population where there is no immediate identifiable reason for the members not to be present on HMRC records:

Status	Population
Active	0
Deferred (< GMP age)	937
Pensioner (< GMP age)	112
Deferred (> GMP age)	263
Pensioner (> GMP age)	1,446

Status	Population
Widow(er)	589
Total	3,347

It is conceivable that these members are recorded under a different SCON by HMRC. We would suggest that in the first instance termination notices are issued to HMRC for these members. In parallel with this, we suggest that Fund records are reviewed to check for the possibility of a different SCON having been used incorrectly in the past, or not transferred across as applicable.

### 3.2.2 Members on HMRC records but not on administration system

These records are normally expected to be for members who have no further liability within the Fund but HMRC records have not been updated to reflect this. This may also mean there is no HMRC record of a Contributions Equivalent Premium (CEP) being paid, or alternatively HMRC having been notified of a transfer out from the Fund or the full commutation of a member's benefit on the grounds of triviality.

Having analysed this population, the potential causes are given in the table below.

Id	Reason for mismatch	Deferred ( < GMP age)	Pensioner ( > GMP age)	Widow(er)	Unknown	Total
1	HMRC record links to a deceased member but not a dependant	12	106	239	52	409

**Suggested actions:**

Carry out analysis of available data sources to establish as many links as possible. For the remaining links that cannot be established, member details should be submitted to HMRC for resolution. Others may be confirmed as cases where there was no dependant entitled to a pension, in which case HMRC should be informed.

2	Transferred out and members still linked to SCON by HMRC	1,208	173	4	0	1,385
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**Suggested actions:**

Details of the transfer out should be supplied to HMRC for these members if this information can be obtained from the member files. In some cases this information may not be available and it will be necessary to consider contacting and writing to the members concerned.

3	Refund of contributions and members still linked to SCON by HMRC	248	144	7	3	402
---	--	-----	-----	---	---	-----

**Suggested actions:**

Confirm CEPs have been paid in order to remove Fund liability.

4	HMRC record links to a full commutation admin record	107	330	10	4	451
---	--	-----	-----	----	---	-----

**Suggested actions:**

These members may have taken full commutation on the grounds of triviality, in which case HMRC should be informed.

5	Multiple records on HMRC	991	824	60	13	1,888
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**Suggested actions:**

HMRC records indicate two separate periods of contracted out service for these members. This may indicate a transferred-in benefit or could be an error on HMRC records. The cases should be investigated.

Id	Reason for mismatch	Deferred (< GMP age)	Pensioner (> GMP age)	Widow(er)	Unknown	Total
6	All other cases where HMRC record links to an unexpected or partial admin record	408	179	3	2	592

**Suggested actions:**

Analyse the administration records further and attempt to assign to explainable categories shown above, then carry out the relevant actions.

The analysis above provides an explanation for 5,114 members in the HMRC data that cannot be linked to administration data. However, some of these members may be reported under multiple headings and so the total of the members in the table above may be higher.

This leaves the following population where there is no immediately identifiable explanation for why HMRC records are recorded against the Fund's SCIN. To consider the impact of this, a breakdown of these members together with their annualised GMP is given in the table below:

No record on administration system	Number of records	Total annual GMP (nearest £1,000)	Total annual GMP figures point of valuation
Members under State Pension Age	1,333	396,000	Date of Exit
Members over State Pension Age	601	558,000	State Pension Date
Widow(er)s	45	18,000	Date Pension Commenced
HMRC Error Code 5 records	144	N/A	N/A

The first row has been highlighted in Red to reflect the fact that most of the members in this group will be written to by HMRC in December 2018, with statements that will identify the Fund as a scheme in which they have had contracted-out service.

The other two groups are already in receipt of GMP, and it is understood that they will not be written to by HMRC in December 2018. In many cases it is likely that the members concerned are indeed receiving a pension, that includes this GMP liability, from another scheme, however there may be members where this is not the case – for example members whose GMP liability was intended to be extinguished in the past but the necessary payments were not processed correctly.

For all the members above the relevant “not in scheme” queries will be raised with HMRC. Further analysis will also be carried out to attempt to establish evidence that identifies the correct schemes that these members should be held under at HMRC, which will include requesting any further information or data sets available from the company, the Administrator, or any other parties. If no such useful evidence comes to light then recommendations will be made on a practical basis, taking account of the likelihood and materiality of potential future additional liabilities arising should members come forward.

### 3.3 GMP mismatch analysis

The table below provides analysis and recommendations where the Fund's GMPs do not match HMRC records or fall within The Pensions Regulator's recommended tolerance of £2 per week, or contracted out dates do not match.

Id	Reason for mismatch	Active	Below GMP age		Above GMP age		Widow(er)	Total
			Deferred	Pensioner	Deferred	Pensioner		
1	GMP matches but contracted out start and/or end dates do not match	80	779	188	20	1,138	41	2,246
<b>Suggested actions:</b> No immediate action for GMP values is required. However contracting out dates should be reviewed and corrected as necessary.								
2	GMP does not match exactly, is within tolerance and contracted out dates match	10	306	80	34	2,009	417	2,856
<b>Suggested actions:</b> If an initial tolerance level of £2 per week is accepted, then HMRC figures can be accepted for these members. A decision still needs to be taken on how to then correct administration records, and particularly pensions in payment.								
3	GMP does not match exactly, is within tolerance but contracted out dates do not match	19	282	53	15	2,460	327	3,156
<b>Suggested actions:</b> If an initial tolerance level of £2 per week is accepted, then HMRC figures can be accepted for these members, however contracting out dates should be reviewed and corrected as necessary. A decision still needs to be taken on how to then correct administration records, and particularly pensions in payment.								
4	GMP outside tolerance and contracted out dates match	3	168	78	4	203	152	608
<b>Suggested actions:</b> These cases need investigation and correction as required. The correction may involve adjustment to pension in payment records. ITM recommend an approach that takes account of the materiality of the discrepancy on member benefits.								
5	GMP outside tolerance and contracted out dates do not match	6	145	50	3	372	113	689
<b>Suggested actions:</b> These cases need investigation and correction as required. The correction may involve adjustment to pension in payment records. ITM recommend an approach that takes account of the materiality of the discrepancy on member benefits.								
6	GMP outside tolerance and members have a transfer-in	0	263	75	4	1,697	197	2,236
<b>Suggested actions:</b> A GMP cleanse project should be carried out to further investigate, agree and rectify GMPs and associated data.								
7	No record of original member's death on admin system						19	19
<b>Suggested actions:</b> These records should be reviewed. It is likely that they may be recent deaths that have not been updated on the administration records.								

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HM Treasury

# Public Sector exit payment recovery regulations:

consultation

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HM Treasury

# Public Sector exit payment recovery regulations: consultation

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# Contents

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Chapter 1	Background
Chapter 2	Summary of changes to the proposal
Chapter 3	Who is in scope?
Chapter 4	How will it work?



# 1

## Background

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**1.1** The previous government enacted framework powers in the Small Business, Enterprise and Employment Act 2015 to allow for the recovery of public sector exit payments when a high earner returns to the public sector shortly after leaving. Regulations setting out the detail of the policy will be laid in Parliament to implement this policy from April 2016.

**1.2** Exit payments associated with loss of employment including redundancy are important to employers' ability to reform and react to new circumstances. They provide important support for employees as they find new employment. Equally it is important that these payments are proportionate and offer value for money.

**1.3** In the government's response to the consultation on the recovery of public sector exit payments, certain decisions remained under review with a commitment to consult further before laying the final regulations. **This consultation invites comment on the final draft regulations.**

**1.4** Respondents will wish to note that the government has reconsidered some areas of the policy since the publication of the government response on 27 October 2014. As a result, some of the details of the exit payment recovery have been strengthened to better protect taxpayers' money within the existing legal framework. These regulations do not override any existing recovery provisions that go further, but underpin these arrangements and provide a framework for the required minimum.

**1.5** In line with other decisions on financial management and pay policy it is the responsibility of individual employers and departments to ensure that their exit payment arrangements are fair and proportionate. However, for high earning individuals moving between employers in the public sector, it is right for the government to examine whether there is sufficient assurance to the taxpayer that exit payment arrangements are fair and represent value for money for the taxpayer.

# 2 Summary of changes to the proposal

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## Recovery on return to any public sector body

**2.1** The government proposes to replace the stipulation that exit payments are recovered when an individual returns to the same part of the public sector with the proposal that **public sector exit payments are recovered when an individual returns to any part of the public sector. The amount paid back will be net of tax paid.**

**2.2** This dispenses with the need to establish groupings of public bodies, for example a Health sub-sector or Local Government sub-sector, which would introduce unnecessary administrative complexity. It would also have led to inconsistencies in treatment, for example where in some professions, such as legal or IT services, similar jobs exist across sub-sectors.

## Salary level at which exit payment recovery takes effect

**2.3** The previous government's starting point was that recovery would apply only to individuals earning at or over £100,000. The government now proposes in these regulations to set **the minimum salary at which the recovery provisions apply at £80,000 per annum.** The government believes that a threshold set at this level is more consistent with the intention to prevent the highest paid people from exploiting opportunities to take redundancy and be re-employed soon after in the public sector. As average annual earnings are currently around £27,600, individuals earning £80,000 are amongst the top 2% of earners in the public sector and top 4% in the whole economy.<sup>1</sup> They are, as such, likely to receive substantial exit payments.

## Removal of a full recovery period

**2.4** The government proposes to **remove the full recovery period during which exit payments should be repaid in full on returning to a public sector body.** As such, the taper begins from the first day after a public sector employee has exited. This proposal ensures workers that return to the public sector are fairly compensated and provided sufficient support for the period between employments. A full recovery period could also have financially incentivised exiting employees not to seek further public sector employment for the duration of the full recovery period. The removal of this period is consistent with the government's commitment that work must always pay.

## Recovery of pension 'top up' payments made under the Local Government Pension Scheme

**2.5** The government response to the recovery of public sector exit payments consultation published on 27 October 2014 proposed excluding employer payments to provide unreduced pensions for early retirement under the Local Government Pension Scheme (LGPS) rules where

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<sup>1</sup> HM Treasury analysis using Annual Survey of Hours and Earnings, November 2015

LGPS members are made redundant before their Normal Pension Age. However, the government has concluded that this exclusion is unwarranted when recovery applies to similar top up payments made under other pension schemes.

**2.6** Employer-funded pension top up payments made under the LGPS will be treated as within the scope of the provisions governing recovery in the event of re-employment ensuring that recovery provisions are consistent.

## **Dissolved Bodies**

**2.7** In a situation where the public sector body that paid an exit payment to an exited worker has dissolved, the employee will be required to repay the required amount of their exit payment to the hiring public sector employer.

**2.8** The hiring public sector body will then be required to pay the amount recovered into the consolidated fund. This arrangement will ensure that recovery provisions are applied consistently irrespective of any machinery of government changes.

## **Exemptions**

**2.9** The Office of National Statistics (ONS) has recently classified Housing Associations to the public sector. **Housing Associations** would be granted an exemption from the recovery policy as it is the government's intention to take steps to ensure they can be reclassified to the private sector.

**2.10** The government has decided to grant an exemption to the **Financial Services Compensation Scheme (FSCS)** treating the organisation as a public financial corporation. A full list of exempt public financial corporations can be found in Chapter 3.

# 3

## Who is in scope?

Earnings thresholds/ exemptions	<ul style="list-style-type: none"> <li>• All public sector employees and office holders earning over £80,000.</li> </ul>
Which individuals	<ul style="list-style-type: none"> <li>• Current and future employees and office holders of prescribed public sector authorities.</li> <li>• Individuals that return off-payroll to prescribed public sector authorities.</li> </ul>
Bodies in Scope	All bodies within the ONS definition of public sector except those granted an exemption
Bodies exempt from the policy	<ul style="list-style-type: none"> <li>o The following public financial corporations and subsidiaries: <ul style="list-style-type: none"> <li>- The Royal Bank of Scotland</li> <li>- Northern Rock</li> <li>- Bradford and Bingley</li> <li>- Pension Protection Fund</li> <li>- The London Authorities Mutual Limited</li> <li>- National Employment Savings Trust Corporation (NEST)</li> <li>- Financial Conduct Authority</li> <li>- Payment Systems Regulator</li> <li>- Financial Ombudsman Service Ltd.</li> <li>- First Rate Exchange Services Holdings Limited</li> <li>- First Rate Exchange Services Limited</li> <li>- Guaranteed Export Finance Corporation PLC (GEFCo)</li> <li>- Northern Ireland Central Investment Fund for Charities</li> <li>- UKAR</li> <li>- Financial Services Compensation Scheme (FSCS)</li> </ul> </li> <li>o Armed Forces</li> <li>o Housing Associations</li> <li>o National Museums</li> <li>o The Commissioners for Irish Lights</li> <li>o Public broadcasters: BBC, Ch4, and S4C</li> <li>o Bank of England</li> </ul>



# 4

## How will it work?

<b>Mechanism</b>	<ul style="list-style-type: none"> <li>• Require the individual to notify their new and previous employer where they propose to return to the public sector after they have received a public sector exit payment within the previous 12 months.</li> <li>• Require old employers to make arrangements with individuals where exit payments are due to be recovered.</li> </ul>
<b>Which payments for recovery</b>	<ul style="list-style-type: none"> <li>• Payments for loss of employment, including discretionary payments to buy out actuarial reductions to pensions and severance payments.</li> </ul>
<b>Excluded are:</b>	<ul style="list-style-type: none"> <li>• Contractual entitlements unconnected to loss of employment.</li> <li>• Those payments that have a potential, if not actual, monetary value.</li> <li>• Payments and Compensation in lieu of notice.</li> <li>• Payments equal to minimum statutory redundancy payments.</li> <li>• Payments made in respect of incapacity or death as a result of accident, injury or illness.</li> <li>• Payments made in respect of leave not taken.</li> <li>• Payments made in compliance with an order of court or tribunal.</li> </ul>
<b>Defining the Public Sector</b>	<ul style="list-style-type: none"> <li>• Bodies classified as within the public sector by the ONS for the purpose of National Accounts.</li> </ul>
<b>Amount to recover</b>	<ul style="list-style-type: none"> <li>• Tapered recovery from the date of exit up to 12 months.</li> <li>• None after 12 months.</li> </ul>
<b>Sanctions</b>	<ul style="list-style-type: none"> <li>• Civil recovery / Prohibition on taking up new role / Dismissal</li> </ul>
<b>Mechanism for Waiving the recovery of exit payment</b>	<ul style="list-style-type: none"> <li>• Decision assigned to the relevant Secretary of State.</li> <li>• This power can be exercised on behalf of the relevant Secretary of State by an appropriate person or persons (e.g. the Accounting Officer).</li> <li>• The Full Council to take the decision whether to grant a waiver from repayment in cases involving Local Authorities and for local government bodies within their delegated powers.</li> <li>• Reported and published as part of Annual Reports and Accounts.</li> </ul>
<b>Mechanism for enforcement</b>	<ul style="list-style-type: none"> <li>• Old employers will have the right to take individuals to court to reclaim money.</li> <li>• Guidance will make clear that old employers should inform the individual of their obligation at the point of exit and to ensure that reasonable steps are taken to recover the exit payment.</li> <li>• New employers will be required not to employ the individual until repayment arrangements have been finalised.</li> </ul>
<b>Devolution</b>	<ul style="list-style-type: none"> <li>• Our proposal is for devolved bodies to be a part of the exit payment recovery process, and that devolved administrations will be responsible for waivers in their delegated areas.</li> <li>• As set out in the primary legislation, the Scottish Government has the powers to enact their own regulations in relation to devolved</li> </ul>

	Scottish workforces.
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Require the body that granted the waiver to disclose this and the reason for it in their Annual Reports and Accounts.</li> </ul>
<b>Implementation Date</b>	<ul style="list-style-type: none"> <li>• Require compliance with new arrangements from April 2016.</li> </ul>

### Question

The government invites you to comment specifically on the draft regulations and Schedule 1 (which lists public sector authorities and offices in scope of the regulations), and changes to the proposal for the recovery of public sector exit payments. In particular, do these regulations achieve the policy intention of ensuring the mechanism for the recovery of exit payments is fair, proportionate and represents value for money to the tax payer?

### How to respond to this consultation

**4.1** This consultation will close on **25 January 2016**. Responses should be sent by email to: [exitpaymentrecovery@hmtreasury.gsi.gov.uk](mailto:exitpaymentrecovery@hmtreasury.gsi.gov.uk) with the subject heading "Consultation on Public Sector Exit Payment Recovery Regulations".

**4.2** Alternatively please send responses by post to:

Consultation on Public Sector Exit Payment Recovery Regulations,  
Workforce, Pay & Pensions Team,  
HM Treasury,  
1 Horse Guards Road,  
London SW1A 2HQ.

**4.3** When responding please say if you are making a representation on behalf of a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.

### Confidentiality

**4.4** Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1988 (DPA) and the Environmental Information Regulations 2004.

**4.5** If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

**4.6** HM Treasury will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.



### **HM Treasury contacts**

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### **Employer Movements Overview - April 2015 to January 2016**

New Employers admitted under CFO delegation*			
Employer Name	Ceding Employer	Date Joined	Members
Wealden Leisure – Portslade Sports Centre	BHCC	01/04/2015	10
Wealden Leisure joined the Fund as a result of winning a contract from BHCC to operate Portslade Sports Centre. The contract is for 6 years and the initial contribution rate is 17.6%.			
Wave Leisure – Newhaven Fort	Lewes District Council	01/05/2015	5
Wave Leisure joined the Fund following a contract award from Lewes District Council to run Newhaven Fort. The contract length is for 10 years and the initial contribution rate is 27.6%.			
Sussex Community Development Association	ESCC	06/07/2015	18
Sussex Community Development Association joined the Fund as a result of winning a contract from ESCC to provide day care services. The contract length is for 10 years and the initial contribution rate is 26.4%.			
New Employers – scheduled or resolution bodies			
Employer Name		Date Joined	
Hailsham Primary Academy		01/09/2015	
Newhaven Primary Academy		01/09/2015	
The SABDEN Multi Academy Trust		01/09/2015	
UTC@Harbourside		01/09/2015	
Employers who have ceased in the Fund			
Employer Name	Date Ceased	Cessation	
European Electronique	31/03/2015	£70k cessation deficit calculated – paid in full	
Churchill Cavendish	31/03/215	Nil cessation	

**Note** - The Pensions Committee has delegated authority for all pension related investment and administration decisions on behalf of the Administering Authority (ESCC). The delegations are also confirmed in Part 3, Table 5, Part 12 or the County Council's Constitution. The delegations to the Chief Finance Officer were revised as a result of the changes brought about by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, i.e., agreeing the admission of new bodies, agreeing to employers ceasing in the fund and implementation of the funding strategy.

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Report to: **Pension Board**

Date: **4 February 2016**

By: **Chief Operating Officer**

Title: **Pension Fund Board/Committee Forward Plan 2015/16**

Purpose: **This updated report sets out the Pension Fund Forward plan for 2015-16. The Plan includes the key objectives for the Fund, and training strategy/plan for the Fund**

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**RECOMMENDATIONS – The Board is recommended to note the updated Pension Fund Board/Committee Forward Plan, and the Joint Training date.**

---

**1. Introduction**

- 1.1 The Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012 recommends the forward plan set out formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

**2. Report Overview**

- 2.1 At the November 2015 Board/Committee meetings, representatives and members noted and approved the Forward Plan and Pensions Training Strategy updates, which incorporate the key themes on which training was to be focused throughout 2015/16.
- 2.2 This report contain an updated 2015/16 Forward Plan, which will assists members with the Fund Governance arrangement, so that the Council is able to perform its role as the administering authority in a structured way, and an updated training plan, with a summary of both external and internal training events that Members and Officers can undertake between 2015/16 and 2016/17

**3. Joint Pension Board and Committee Training Session**

- 3.1 The Board and Committee completed training need assessments have been reviewed and have helped in determining the content of an in-house training day.
- 3.2 Details of the topics to be covered are detailed within the Pension Board and Committee Forward/Training plan. The first joint training session is scheduled to take place on **Monday 22<sup>nd</sup> February 2016**, and the second session to take place in April 2016.

**4. Conclusion and reasons for recommendations**

- 4.1 The Board is requested to note the Pension Fund Board/Committee Forward Plan 2015/16.

**KEVIN FOSTER**  
**Chief Operating Officer**

Contact Officers:

Ola Owolabi, Head of Accounts and Pensions, 01273 482017  
[ola.owolabi@eastsussex.gov.uk](mailto:ola.owolabi@eastsussex.gov.uk)

Local Member(s):

All

Background documents:

None



## **EAST SUSSEX PENSION FUND**

### **PENSION COMMITTEE/BOARD FORWARD PLAN 2015-16**

**February 2016**

## **Contents**

<b>Introduction</b>	<b>Page 3</b>
<b>Key documents to be considered</b>	<b>Page 3</b>
<b>Forward /Business Plan</b>	<b>Page 6</b>
<b>Pension Board/Committee Training Strategy</b>	<b>Page 10</b>
<b>Pension Board/Committee Training Plan</b>	<b>Page 17</b>

## Business Plan

### 1 Introduction

- 1.1 Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 67,000 individuals employed by 108 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.
- 1.2 This Business Plan (BP) provides an overview of the Fund's key objectives for 2015/16. The key high level objectives of the fund are summarised as:
  - Optimise Fund returns consistent with a prudent level of risk
  - Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
  - Ensure the suitability of assets in relation to the needs of the Fund.
- 1.3 A bespoke training strategy and plan for this administration was added to the BP after agreement by Members at the Pension Committee in July.
- 1.4 The governance of the Fund is the responsibility of the Chief Finance Officer for the East Sussex County Council, the East Sussex Pension Committee, and the Pension Board. The day to day management of the Fund is delegated to Officers with specific responsibility delegated to the Head of Accounts and Pensions. He is supported in this role by the Pensions Strategy and Governance Manager, and the Finance Manager (Pension Fund Investment).
- 1.5 The Pensions Committee aims to ensure the maximising of investment returns over the long term within an acceptable level of risk. Performance is monitored by asset performance being compared with their strategic benchmarks. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance with the Fund Managers.

### 2. KEY DOCUMENTS TO BE CONSIDERED BY THE PENSION BOARD

- 2.1 There are a number of key policy and strategy documents (Appendix 1) which the Local Government Pension Scheme (LGPS) Regulations require to be kept under regular review. These are listed below:
- 2.2 **Annual Report**  
This report sets out the Pension Fund activities for the previous financial year. The Council is required to publish the report by December of each year to accompany an audited financial statement. Within the Annual Report are the following documents: Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement, Communications Policy and Pension Fund accounts.

### 2.3 **Funding Strategy Statement**

This sets down the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies the key risks and controls facing the Fund and includes details of employer contribution rates following the Fund's triennial valuation.

### 2.4 **Statement of Investment Principles**

This document identifies the investment responsibilities of the various parties involved. For example, Pension Committee, Pension Board Officers, Investment Managers, Custodian, and Investment Advisors. It also details the Fund's investment policies and asset allocation approach as well as its compliance with the six Myners' investment principles. These six principles cover:

- Effective Decision Making;
- Clear Objectives;
- Risk and Liabilities;
- Performance Assessment;
- Responsible Ownership; and
- Transparency and Reporting.

### 2.5 **Communications Policy**

This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers and methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity.

### 2.6 **Governance Compliance Statement**

This is a written statement setting out the administering authority's compliance with good practice governance principles. These principles are grouped within eight categories and are listed within the statement. The Fund's compliance against each of these principles is also detailed, including evidence of compliance and, if appropriate, reasons if there is not full compliance.

### 2.7 **Valuation Reports**

The Fund's actuary reviews and amends employer contribution rates every 3 years. The last actuarial valuation was based on Fund membership as at 31 March 2013.

### 2.8 **Administration Strategy**

Sets out standards and guidelines agreed between employers and ESCC to make sure the LGPS runs smoothly. The strategy is reviewed every 12 months and employers are informed of any revisions, which they can also comment on.

### 2.9 **Employers' Discretions Policy**

Regulations allow the County Council as the administering authority to choose how or whether to apply certain discretions for administering the scheme and the Pension Fund.

### 2.10 **Myners Compliance Statement**

Sets out the extent to which the fund complies with best practice principles.

# 1. PENSION BOARD – FORWARD/BUSINESS PLAN

PENSION BOARD FORWARD/BUSINESS PLAN											
Date	February 2016	May 2016	August 2016	November 2016	February 2017	May 2017	August 2017	November 2017	February 2018	May 2018	August 2018
Item											
1	Member Training - Specific investment Topics	Member Training - Procurement process for services provided externally	Member Training - Pension Discretions	Member Training - Safeguarding the Fund's Assets	Member Training - LGPS discretions & policies	Member Training - Roles of the Pension Regulator	Member Training - Review of Myners principles	Member Training - Accounts & Audit regulations	Member Training - Pension Admin - Business Ops	Member Training - Triennial Valuation refresher	Member Training - Review of Myners principles
2	<div> <div>Page 226</div> <div>                     Polices of the administerin g Authority                     <ul style="list-style-type: none"> <li>· conflicts of interests</li> <li>· record-keeping/me eting attendance</li> <li>· data protection and freedom of information</li> </ul> </div> </div>	Key member and employer communicati ons	Statement of investment principles	Internal dispute resolution procedure	Polices of the administerin g Authority <ul style="list-style-type: none"> <li>· conflicts of interests</li> <li>· record-keeping/me eting attendance</li> <li>· data protection and freedom of information</li> </ul>	Key member and employer communicati ons	Governance Compliance Statement	Internal dispute resolution procedure	Polices of the administerin g Authority <ul style="list-style-type: none"> <li>· conflicts of interests</li> <li>· record-keeping/me eting attendance</li> <li>· data protection and freedom of information</li> </ul>	Key member and employer communicati ons	Governance Compliance Statement
3	Reporting breaches	Pension administrati on statement	Investment strategy and Manager benchmark	Internal Control Register	Reporting breaches	Discretionar y policy statement	Statement of investment principles	Internal Control Register	Reporting breaches	Discretionar y policy statement	Statement of investment principles

## East Sussex Pension Fund

PENSION BOARD FORWARD/BUSINESS PLAN											
Date Item	February 2016	May 2016	August 2016	November 2016	February 2017	May 2017	August 2017	November 2017	February 2018	May 2018	August 2018
4	Communicat ions policy statement	Discretionar y policy statement	Investment/ Admin Consultant Performance	Risk register	Funding Strategy Statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarkin g	Risk register	Communicat ions policy statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarkin g
5	CIPFA Benchmarki ng	External Assurance Reports from Third Parties	Review on fee arrangement s	CIPFA Benchmarki ng	Communicat ions policy statement	Annual Report	Investment/ Admin Consultant Performance	CIPFA Benchmarki ng	Investment/ Admin Consultant Performance	Annual Report	Investment/ Admin Consultant Performance
6		Annual Report	Bulk Transfer, Cessations and Admission policies	Investment/ Admin Consultant Performance	Funds Actuarial Valuation Report	Bulk Transfer, Cessations and Admission policies	Review on fee arrangement s			Bulk Transfer, Cessations and Admission policies	Review on fee arrangement s
7		Internal dispute resolution procedure									

## 2. PENSION COMMITTEE – FORWARD/BUSINESS PLAN

PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date	February 2016	May 2016	September 2016	November 2016	February 2017	May 2017	September 2017	November 2017	February 2018	May 2018	September 2018
Item											
1	Member Training - Specific investment Topics	Member Training - Pension Discretions	Member Training - Safeguarding the Fund's Assets	Member Training - LGPS discretions & policies	Member Training - Roles of the Pension Regulator	Member Training - Review of Myners principles	Member Training - Pension Administration - Business Ops	Member Training - Triennial Valuation refresher	Member Training - Specific investment Topics	Member Training - Specific investment Topics	Member Training - Pension Administration - Business Ops
2	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report
3	Communications policy statement	Pension administration statement	Review on the investment strategy and Manager benchmark	Risk register	Funds Actuarial Valuation Report	Discretionary policy statement	Statement of investment principles	Risk register	Communications policy statement	Discretionary policy statement	Statement of investment principles
4		Discretionary policy statement	Investment/Admin Consultant Performance	Funds Actuarial Valuation Report-Draft results	Funding Strategy Statement	Bulk Transfer, Cessations and Admission policies	Governance Compliance Statement	Pension Committee Forward/Training Plan		External Assurance Reports from Third Parties	Governance Compliance Statement



PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date Item	February 2016	May 2016	September 2016	November 2016	February 2017	May 2017	September 2017	November 2017	February 2018	May 2018	September 2018
5		Bulk Transfer, Cessations and Admission policies	Statement of investment principles	Pension Committee Forward/Training Plan	Communications policy statement	Pension Committee Forward/Training Plan	Investment/Admin Consultant Performance			Bulk Transfer, Cessations and Admission policies	Investment/Admin Consultant Performance

### 3. PENSION COMMITTEE – FORWARD PLAN – Investment Strategy Day

PENSION COMMITTEE FORWARD/BUSINESS PLAN - Strategy Day		
Date Item	July 2016	July 2017
1	External Audit and Annual Report Approval	External Audit and Annual Report Approval
2	Investment Strategy review day	Investment Strategy review day

# **East Sussex Pension Fund (ESPF)**

## **Pension Board and Committee Training Strategy**

### **1. Introduction - Target audience**

#### **1.1 Pensions Committee:**

East Sussex County Council (Scheme Manager) operates a Pensions Committee (the “Pensions Committee”) for the purposes of facilitating the administration of the East Sussex Pension Fund, i.e. the Local Government Pension Scheme that it administers. Members of the Pensions Committee owe an independent fiduciary duty to the members and employer bodies in the Funds and the taxpayer. Such members are therefore required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

#### **1.2 Pension Board:**

The Scheme Manager is also required to establish and maintain a Pension Board, for the purposes of assisting with the ongoing compliance of the Fund. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) Regulations 2015 and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role. This strategy sets out the requirements and practicalities for the training of members of both the Pensions Committee and the Pension Board. It also provides some further detail in relation to the attendance requirements for members of the Pension Board and in relation to the reimbursement of expenses.

The East Sussex Pension Funds’ objectives relating to knowledge and skills should be to:

- Ensure the pension fund is managed and its services delivered by Officers who have the appropriate knowledge and expertise;
- Ensure the pension fund is effectively governed and administered;
- Act with integrity and be accountable to its stakeholders for decisions, ensuring they are robust and are well based and regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government are met.

To achieve these objectives:-

#### **1.3 The East Sussex Pension Fund’s Pension Committee** require an understanding of:

- Their responsibilities in exercising their delegated decision making power on behalf of East Sussex County Council as the Administering Authority of the East Sussex Pension Fund;
- The fundamental requirements relating to pension fund investments;
- The operation and administration of the pension fund;

- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the Fund.

**1.4 East Sussex Pension Fund's Local Pension Board members** must be conversant with-

- The LGPS Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund

And have knowledge and understanding of:

- The law relating to pensions; and
- Such other matters as may be prescribed

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board, the Pensions Regulator and guidance issued by the Secretary of State. Ideally, targeted training will also be provided that is timely and directly relevant to the Committee's and Board's activities as set out in the Fund's business plan.

Board members will receive induction training to cover the role of the East Sussex Pension Fund, Pension Board and understand the duties and obligations for East Sussex County Council as the Administering Authority, including funding and investment matters.

Also those with decision making responsibility in relation to LGPS pension matters and Board members will also:

- Have their knowledge assessed;
- Receive appropriate training to fill any knowledge gaps identified; and
- Seek to maintain their knowledge.

### **1.5 The Knowledge and Skills Framework**

In an attempt to determine what constitutes the right skill set for a public sector pension finance professional the Chartered Institute of Public Finance and Accounting (CIPFA) has developed a technical knowledge and skills framework. This is intended as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs, and an assessment tool for individuals to measure their progress and plan their development.

The framework is designed so that elected members and officers can tailor it to their own particular circumstances. In total, there are six main areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pension finance or for Members responsible for the management of the Fund. These have been outlined in some detail in Appendix 1 and summarised below –

1. Pension Legislation & Governance Context
2. Pensions Accounting & Auditing Standards
3. Financial Services Procurement & Relationship Management
4. Investment Performance & Risk Management
5. Financial Markets & Products Knowledge
6. Actuarial Methods, Standards & Practices

### **1.6 Scheme Employers** now have a greater need –

- Of being kept up to date of their increased responsibilities as a result the introduction of the CARE Scheme in the LGPS and the timeliness of providing data and scheme member information
- Of appreciating some of the determinations being made by the Pensions Ombudsman that impact directly on their decisions concerning ill-health retirement cases
- To be aware of the importance of having written discretion policies in place
- Of their representation role on the East Sussex Pension Board.

### **1.7 Application of the training strategy**

This Training Strategy will set out how ESCC will provide training to representatives with a role on the Pension Committee, Pension Board members and Employers. Officers involved in the management and administration of the Fund will have their own sectional and personal training plans and career development objectives.

### **1.8 Purpose of training**

The purpose of training is to:

- Equip members with the necessary skills and knowledge to be competent in their role;
- Support effective and robust decision making;
- Ensure individuals understand their obligation to act, and to be seen to act with integrity;
- Ensure that members are appropriately skilled to support the fund in achieving its objectives.

### **1.9 Summary**

Officers will work in partnership with members to deliver a training strategy that will:

- Assist in meeting the East Sussex Pension Fund objectives;
- Support the East Sussex Pension Fund's business plans;
- Assist members in achieving delivery of effective governance and management;
- Equip members with appropriate knowledge and skills;
- Promote ongoing development of the decision makers within the East Sussex Pension Fund;
- Demonstrate compliance with the CIPFA Knowledge and Skills Framework;
- Demonstrate compliance with statutory requirements and associated guidance

## **2. Delivery of Training**

### **2.1 Training plans**

To be effective, training must be recognised as a continual process and centred on 3 key points

- The individual
- The general pensions environment
- Coping with change and hot topics

The basis of good training for a Fund is to have in place a training plan complemented by a training strategy or policy.

The training strategy supported by the plan will set out how, what and when training will be carried out.

Officers will with members conduct reviews of training, learning and development processes and identify gaps versus best practice.

### **2.2 Training resources**

Public bodies such as the Local Government Association (LGA) and Actuarial, Benefit Consultants and Investment Consultants have been carrying out training sessions for LGPS Funds for many years. This means there is a vast readily available library of material to cover many different topics and subjects and the appropriate expert to deliver it.

### **2.3 Appropriate Training**

As mentioned in 2.1 above it is best practice for a Fund to have in place a training strategy and training plan. This will help identify the Fund's objectives and indicate what information should be contained in the training material and presentation. For example, if the East Sussex Pension Fund records its aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and Code of Practice to meet the skill set within the Framework, the content of training will meet the requirements of the KSF. This is particularly important if the East Sussex Pension Fund is monitoring the knowledge levels of Committee members or Board members, in which case the training must cover any measurement assessment being applied by the Fund in the monitoring knowledge levels.

### **2.4 Flexibility**

It is recognised that a rigid training plan can frustrate knowledge attainment if it does not adapt for a particular purpose, there is a change in pension's law or new responsibilities are required of board members. Learning programmes will therefore include some flexibility so they can deliver the appropriate level of detail required.

## 2.5 E-Learning

The Pensions Regulator has available an online e-learning programme for those involved in running public service pension schemes. This learning programme is aimed at all public service schemes and whilst participation is to be encouraged, taking this course alone is very unlikely to meet with knowledge and understanding requirements of LGPS local pension board members.

## 3. Training deliverables

### 3.1 Suitable Events

It is anticipated that at least 1 day's annual training will be arranged and provided by officers to address specific training requirements to meet the Committee's forward business plan, all members will be encouraged to attend this event.

A number of specialist courses are run by bodies such as the Local Government Employers and existing fund manager partners, officers can provide details of these courses. There are a number of suitable conferences run annually, officers will inform members of these conferences as details become available. Of particular relevance are the National Association of Pension Funds (NAPF) Local Authority Conference, usually held in May, the LGC Local Authority Conference, usually held in September, and the Local Authority Pension Fund Forum (LAPFF) annual conference, usually held in December.

### 3.2 Training methods

There are a number of methods and materials available to help officers prepare and equip members to perform their respective roles. Consideration will be given to various training resources available in delivering training to members of Committee, Board, and officers in order to achieve efficiencies. These may include but are not restricted to:-

For Pension Committee and Pension Board Members	For Officers
<ul style="list-style-type: none"> <li>• On site or off site</li> <li>• Using an Online Knowledge Portal or other e-training facilities</li> <li>• Attending courses, seminars and external events</li> <li>• Internally developed training days</li> <li>• Short sessions on topical issues or scheme-specific issues</li> <li>• Informal discussion and One to one</li> <li>• Shared training with other Funds or Frameworks</li> <li>• Regular updates from officers and/or advisors</li> <li>• A formal presentation</li> </ul>	<ul style="list-style-type: none"> <li>• Desktop/work based training</li> <li>• Using an Online Knowledge Portal or other e-training facilities</li> <li>• Attending courses, seminars and external events</li> <li>• A workshop with participation</li> <li>• Short sessions on topical issues or scheme-specific issues</li> <li>• Informal discussion and One to one</li> <li>• Training for qualifications from recognised professional bodies (e.g. CIPFA, ACCA, etc.)</li> <li>• Internally developed sessions</li> <li>• Shared training with other Funds or Framework</li> </ul>

### **3.3 Training material**

Officers will discuss with members the material they think is most appropriate for the training. Officers can provide hand outs and other associated material.

## **4. Monitoring and Reporting**

Each member of the Pensions Committee and Pension Board will inform the Scheme Manager of relevant training attended from time to time. A report will be submitted to the Pensions Committee annually highlighting the training and attendance of each member of the Pensions Committee and Pension Board.

Where the Scheme Manager has a concern that a member of the Pension Board is not complying with the requisite training or attendance requirements it may serve a notice on the Pension Board, requiring the Pension Board to take necessary action. The Pension Board shall be given reasonable opportunity to review the circumstances and, where appropriate, liaise with the Scheme Manager with a view to demonstrating that such member will be able to continue to properly perform the functions required of a member of the Pension Board.

This training strategy will be reviewed on an ongoing basis by the Scheme Manager, taking account of the result from any training needs evaluations and any emerging issues. The Committee/Board will be updated with events and training opportunities as and when they become available and relevant to on-going pension governance

## **5. Risk**

### **5.1 Risk Management**

The compliance and delivery of a training strategy is a risk in the event of-

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored within the scope of the training strategy to be reported where appropriate.

## **6. Budget**

### **6.1 Cost**

A training budget will be agreed and costs fully scoped.

### **6.2 Reimbursement of expenses**

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund.

All reasonable expenses properly incurred by members of the Pensions Committee, and the Pension Board necessary for the performance of their roles will be met by the Funds, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.



### Proposed Members Training Plan for 2015-2017

The proposed Training Plan for East Sussex Pension Fund Committee/Board Members incorporate the ideas, themes and preferences identified in the Self Assessment of Training Needs along with upcoming areas where the Board/Committee will require additional knowledge. The Plan aims to give an indication of the delivery method and target completion date for each area. On approval, officers will start to implement this programme, consulting with Members as appropriate concerning their availability regarding appropriate delivery methods.

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
<b>GENERAL TRAINING</b>								
General overview of LGPS - Induction <ul style="list-style-type: none"> <li>Member's Role</li> </ul>	✓						1	Completed
Members individual needs on specific areas arising during the year <ul style="list-style-type: none"> <li>Advisory Board e-learning</li> </ul>	✓	✓			✓	✓ ✓	1,3,4	As required – notify Head of Accounts and Pensions
Pre- committee meeting/agendas <ul style="list-style-type: none"> <li>Specific investment Topics</li> <li>Services and providers</li> <li>Procurement process for</li> </ul>		✓ ✓ ✓	✓ ✓ ✓				2,3,4,5	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
services provided externally <ul style="list-style-type: none"> <li>• Performance measurement</li> <li>• Accounts and audit regulations</li> <li>• Role of internal and external audit</li> <li>• Fund responsibilities/ policy</li> <li>• Pension Discretions</li> <li>• Safeguarding the Fund's Assets</li> </ul>		✓ ✓ ✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓ ✓ ✓					
Pension Fund Forum <ul style="list-style-type: none"> <li>• Valuation Process</li> <li>• Knowledge of the valuation process and the need for a funding strategy</li> <li>• Implications for employers of ill health and outsourcing decisions</li> <li>• Importance of monitoring asset returns relative to liabilities</li> </ul>				✓			1,4,6	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework <ul style="list-style-type: none"> <li>LGPS discretions &amp; policies</li> <li>Implications of the Hutton Review</li> </ul>		✓	✓	✓	✓		1,6	
Pensions Legislation & Governance: <ul style="list-style-type: none"> <li>Roles of the Pension Regulator, Pension Advisory Service &amp; Pension Ombudsman in relation to the scheme</li> <li>Review of Myners principles and associated CIPFA &amp; SOLACE guidance</li> </ul>		✓		✓			1,2,	
Pension Accounting & Auditing standards: <ul style="list-style-type: none"> <li>Accounts &amp; Audit regulations and the legislative requirements</li> </ul>			✓				1,2	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
Financial Services procurement: <ul style="list-style-type: none"> <li>Current public procurement policy &amp; procedures</li> <li>UK &amp; EU procurement legislation</li> </ul>				✓ ✓			3,5,6	
Investment Performance & Risk Management: <ul style="list-style-type: none"> <li>Monitoring asset returns relative to liabilities</li> <li>Myners principles of performance management</li> <li>Setting targets for committee and how to report against them</li> </ul>				✓ ✓ ✓	✓		3,5,6	Invite to be circulated to when relevant
Financial markets & products knowledge: <ul style="list-style-type: none"> <li>Refresh the importance of setting investment strategy</li> <li>Limits placed by regulation on investment activities in</li> </ul>			✓	✓	✓		4 1 4	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
the LGPS <ul style="list-style-type: none"> <li>Understanding of the operations of the fixed income manager</li> <li>Understanding of Alternative asset classes</li> </ul>				✓			4,5,6	
Pension Administration - <ul style="list-style-type: none"> <li>Shared service</li> </ul>		✓	✓	✓			2,6	
Actuarial methods, standards and practices: <ul style="list-style-type: none"> <li>Considerations in relation to outsourcings and bulk transfers</li> <li>Triennial Valuation refresher</li> </ul>		✓ ✓					1 6	
<b>CHAIRMAN TRAINING</b>								
<ul style="list-style-type: none"> <li>Fund Benchmarking</li> <li>Stakeholder feedback</li> <li>Appreciation of changes to scheme rules</li> </ul>	✓ ✓				✓		2 4 1,5	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
<b>EXTERNAL SEMINARS AND CONFERENCES</b>								
NAPF Local Govt Conference <ul style="list-style-type: none"> <li>Refresher training</li> <li>Keeping abreast of current development</li> </ul>					✓ ✓		1,3,4,5	
LGC Investment Conference <ul style="list-style-type: none"> <li>Fund Manager events and networking</li> </ul>					✓ ✓		1,2,3,4,5,6	

**Key**

**The six areas covered within the CIPFA Knowledge and Skills Framework (KSF):**

- |   |             |
|---|-------------|
| 1. Pension Legislation & Governance Context                 | <b>KSF1</b> |
| 2. Pensions Accounting & Auditing Standards                 | <b>KSF2</b> |
| 3. Financial Services Procurement & Relationship Management | <b>KSF3</b> |
| 4. Investment Performance & Risk Management                 | <b>KSF4</b> |
| 5. Financial Markets & Products Knowledge                   | <b>KSF5</b> |
| 6. Actuarial Methods, Standards & Practices                 | <b>KSF6</b> |

AVAILABLE TRAINING AND CONFERENCES 2016 – 2017

Date	Conference/Event	Run By	Delegates/Cost
4 February 2016	Introduction - objective-driven investing	Legal & General Investment Management	Free
5 February 2016	Advanced - objective-driven investing	Legal & General Investment Management	Free
February 2016	Technical accounting workshops	CIPFA Pensions Network (CPN)	Subscription
17 February 2016	Introductory/refresher breakfast LDI seminars	Legal & General Investment Management	Free
17 March 2016	Local Authority Pension Fund Investment Issues	SPS Conferences	
16 March 2016	Introductory/refresher breakfast LDI seminars	Legal & General Investment Management	Free
19 April 2016	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
21 April 2016	Introduction - objective-driven investing	Legal & General Investment Management	Free
22 April 2016	Advanced - objective-driven investing	Legal & General Investment Management	Free
28 April 2016	Introduction - objective-driven investing	Legal & General Investment Management	Free
29 April 2016	Advanced - objective-driven investing	Legal & General Investment	Free

## East Sussex Pension Fund

Date	Conference/Event	Run By	Delegates/Cost
		Management	
May 2016	NAPF Local Authority Conference	NAPF	NAPF member - free
28 June 2016	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
21 September 2016	Pension trustee and employer responsibilities	Eversheds	£499
18 October 2016	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
16 November 2016	LAPFF Executive strategy meeting	Local Authority Pension Fund Forum (LAPFF)	Free
17 November 2016	Local Authority Pension Fund Investment Strategies	SPS Conferences	TBA
November 2016	Actuarial Valuation presentation – results comparator/considerations	Hymans Robertson	Free
7,8,9 December 2016	LAPFF Annual Conference	Local Authority Pension Fund Forum (LAPFF)	Free
31 January 2017	LAPFF AGM and Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free



## East Sussex Pension Fund

Date	Conference/Event	Run By	Delegates/Cost
<b>On-Line Training</b>			
<a href="http://www.thepensionsregulator.gov.uk">www.thepensionsregulator.gov.uk</a>	Pension Education Portal	Pensions Regulator	Free on-line
<a href="http://www.lgpsregs.org/">http://www.lgpsregs.org/</a>	LGPS Regulations and Guidance	LGPS Regulations and Guidance	Free on-line
<a href="http://www.lgps2014.org/">http://www.lgps2014.org/</a>	LGPS 2014 members website	LGPS 2014 website	Free on-line
<a href="http://www.local.gov.uk">www.local.gov.uk</a>	LGA website	Local Government Association	Free on-line

## **Pension Board and Pension Committee – Joint Training Session**

The following proposed training will take the form of 1 whole day session in February 2016 and 1 half day session in April 2016 delivered jointly to the Pension Committee and Local Pension Board.

### **Session 1 on 22<sup>nd</sup> February 2016**

#### **Benefit Structure**

- An overview of how benefits are calculated and paid in the LGPS, including;
- Summary of the three benefit tranches
- Joining the Scheme
- Contributions
- Types of retirements
- Additional benefits including Additional Voluntary Contributions
- Death benefits

#### **Key documents and Policies**

A look at the Fund's key documents and policies, including;

- The annual report and accounts
- The Funding Strategy Statement  
The Statement of Investment Principles
- The Administration Strategy
- The Communications Strategy
- The Admissions Strategy
- Dealing with appeals under the Internal Dispute Resolution Procedure

### **Session 2 - April 2016**

#### **LGPS – Legislative and Governance context**

A recap on who does what in the LGPS focusing on the roles of;

- The administering authority
- The employers
- The Committee
- The LPB
- S151 officer

#### **Conflicts of Interest and Reporting Requirements**

Consideration of the Committee and Pension Board's responsibilities in the areas of;

- Conflicts of interest
- Reporting breaches of the law