



PENSION BOARD

THURSDAY, 12 MAY 2016

10.00 AM COMMITTEE ROOM, 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

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- 9b Officers' Report - General Update (*Pages 309 - 312*)
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- 11 Any other business

PHILIP BAKER
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4 May 2016

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at CC2, County Hall, Lewes on 4 February 2016.

PRESENT Richard Harbord (Chair), Councillor Kevin Allen, Angie Embury, 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); Wendy Neller, Pensions Governance and Strategy Manager; Jason Bailey, SCC Pension Services Manager

1 MINUTES

1.1 The draft minutes of the 03 November 2015 meeting were agreed.

2 APOLOGIES FOR ABSENCE

2.1 Apologies were received from Tony Warren.

3 DISCLOSURE OF INTERESTS

3.1 There were none.

4 PENSION COMMITTEE AGENDA

4.1 Officers noted that **Item 9: Pensions Administration System – Business Case** was listed on the Pension Committee agenda as to follow. This report, which includes commercially confidential material, will be circulated amongst Pension Board members in advance of the 08 February Pension Committee meeting.

4.2 With reference to **Item 6: Fund Performance Schroder (Property)**, DZ asked why Schroder's performance target is set so low above the benchmark. DZ also queried Schroder's own estimate of its performance to date this year as showing "strong absolute returns" when returns appear to be much lower than in previous years, and when Schroders has actually underperformed against its benchmark over the past three months. It was agreed to bring this to the attention of the Pension Committee.

4.3 Members discussed **Item 10: LGPS Investment Pooling**. The Chair noted that the emerging landscape of pooled funds is now looking quite coherent. The main issue for East Sussex will be to identify the pooling option that gives us the strongest voice. Hence governance arrangements will be a key factor. OO agreed that having the opportunity to influence the development of the pool will be key, and a significant issue in making the decision to join a pool is whether governance arrangements have or have not already been determined. With the exception of the Welsh pool it is unlikely that the Government will permit any pool with less than £25 billion invested to proceed, so we need to be sure that the pool we join can exceed this floor.

4.4 In response to a question from DZ about the likely scale of savings from pooling, OO told members that officers were working on this and should have some estimates by summer 2016. MK cautioned members not to expect too much here: even if pooling will eventually produce savings, these are likely to be in the long term (10 years plus). This is because the investments most readily pooled (e.g. passive) already have low management fees, so there will be little opportunity to make savings. High fee investment vehicles will take much longer to pool and there is no certainty that fund managers for whom the LGPS is not a particularly significant client will acquiesce to demands for their fees to be lowered for larger scale LGPS investments. Some types of investment (e.g. private equity, property) will take time to pool because of the illiquidity of the assets involved.

4.5 BR and AE queried whether there were risks involved in pooling with pension funds that are relatively under-funded. MK noted that the plan is to pool investments to realise economies of scale, but not to merge funds, so individual funds will retain their own risks. Neither is there an obvious link between a fund's deficit and the competence of its management: relative underfunding is likely to be a consequence of investment decisions taken many years ago (such as taking a 'holiday' from employer contributions in the 1980s) rather than recent actions. Of much greater importance is pooling with like-minded funds, and it is reassuring that the Access partners already employ many of the same investment managers as ES.

4.6 DZ asked what the response from the fund management industry had been to the pooling plans. MK replied that it seems likely that many investment managers will resist appreciably lowering their fees, as they have generally successfully resisted attempts by individual funds to negotiate lower rates. Some niche funds may choose to disengage from the LGPS market rather than engaging with pooled funds.

4.7 Members discussed **Item 12: Pension Fund Budget Report – 2016/17**. OO explained that there had been an under-spend on Guaranteed Minimum Pension (GMP) reconciliation in 15/16 due to this work being delayed. The under-spend will be carried forward to undertake this work in future years.

4.8 In response to a query from BR, OO explained that the uplift in actuarial fees for 16/17 reflects the additional cost of the triennial valuation. The fee negotiated for the coming valuation is slightly lower than the amount paid three years ago.

4.9 In response to a query from the Chair, OO told members that there was a zero cost estimate for work on fund pooling in 15/16 because the expenditure to date had mainly been in terms of officer time. The estimate for costs over the next three years is based on the per-authority costs of establishing the London Common Investment Vehicle.

4.10 OO told the Board that the projected reduction on investment manager fees in 16/17 was mainly due to the decision to cease to contract with Lazard. The funds formerly managed by Lazard are now invested in less expensive vehicles (e.g. 50% are in passive). If the stock market performs relatively poorly over the next 12 months, this will reduce the fees paid.

4.11 Members considered **Item 13: Environmental, Social, Governance and Investment Strategy**. BR noted that there had been a lively discussion of this issue at the recent LAPF conference in Bournemouth. DZ added that there was a good deal of public interest in the issue of ethical investment and a potential reputational risk here for the county council. AE agreed, noting that fracking was a particular issue for scheme members in Brighton & Hove. KA noted that the fund position was a difficult one to communicate in a way that would reassure concerned scheme members. However, all members agreed that fund's position on this was a reasonable one given the fiduciary duty to maximise the income from investments.

5 POLICIES OF THE ADMINISTERING AUTHORITY

5.1 This report was noted.

6 EAST SUSSEX PENSION FUND - CIPFA BENCHMARKING REPORT

6.1 JB told members that the CIPFA report was the only national benchmarking of LGPS administration services. Only 42 funds chose to take part in this year's exercise. This is probably a self-selecting sample, with poorly performing services unlikely to volunteer. However, this does mean that we can compare our performance against the best of our peers.

7 REVISED COMMUNICATIONS POLICY STATEMENT 2015/16

7.1 OO told members that we are required to publish and annually revise a Communications Policy Statement. MK noted that it was the responsibility of employers to disseminate pensions information to their employees.

7.2 The Chair pointed out that it was important that employers understood the role played by the Pension Board. OO agreed, noting that a message had been sent to all employers explaining the function of the Pension Board. MK added that there had also been information presented at the recent Employers' Forum.

8 OFFICERS' REPORT - BUSINESS OPERATIONS

8.1 JB told members that four new members of staff have now been recruited, although they have no experience of pensions administration so they will require training. There has been a modest improvement in performance recently, although areas of concern still remain particularly around the calculation of spouses' benefits. Any transfer value delays are unlikely to have any material impact.

8.2 The Chair noted that it was important for reputational reasons that we hit our targets here. He also queried whether taking on the administration of additional funds might impact on performance. JB explained that there will be no detrimental impact on performance as the East Sussex team will continue to administer only ES members.

8.3 Members discussed apprenticeships and JB agreed to investigate the feasibility of employing an apprentice.

8.4 JB told members that all 2015 benefits statements have now been issued. This is later than the Government's deadline, but the statements had been well received. For next year the statements will be issued on time provided that all employers supply information in a timely manner. MK added that there is ongoing work with the employer who failed to provide information for this year's statement.

8.5 JB told members that the national take-up of the LGPS was estimated to be around 75%. DZ noted that this figure seemed low given that employees are auto-enrolled into the scheme, other than casual staff who are required to opt-in.

9 OFFICERS' REPORT - GENERAL UPDATE

9.1 OO briefed members on current cash flow forecasts; national developments; the timeline for the triennial valuation (Pension Board will have sight of the valuation discussion

document at its Sep 2016 meeting, with the valuation results available in Nov/ Dec 16); changes to fund membership; and Government plans to recover exit payments from senior officers who move to alternative public sector posts.

9.2 WN outlined progress on GMP reconciliation, noting that independent consultants ITM have recently completed a high-level analysis of the situation. In addition we will need a more detailed evaluation from ITM. There is the potential for there to be a significant risk to the fund here (estimated to be as much as £1.5B at a national level), although we are not yet in a position to quantify this. It is unclear whether LGPS or HRMC have underpaid in the past, but it is clear that LGPS will be solely accountable for this risk.

9.3 In response to a query about the risk of people opting to take their pensions at 55, JB explained that the risk was negligible as few people were likely to retire at this point given the financial disincentive to do so. MK added that there may be more of an impact in coming years of people taking their pensions at 62 or 63 rather than wait until the statutory retirement age of 67.

10 PENSION BOARD FORWARD PLAN 2015/16

10.1 In response to a query from the Chair, MK told members that complaints that have been considered by the ombudsman would be reported to Pension Board. However, there has been no complaint in the past two years that has progressed further than Stage 2.

10.2 In response to a query as to whether Pension Board member travel expenses for training courses would be funded by the LGPS, MK agreed to check this with the Pension Committee at the next (08 Feb) Committee meeting.

The Board was reminded of the first joint training session scheduled to take place on **Monday 22nd February 2016**, and the second session to take place in April 2016.

11 ANY OTHER BUSINESS

The Board was reminded of the first joint training session scheduled to take place on **Monday 22nd February 2016**, and the second session to take place in April 2016.

(The meeting ended at 12pm)

RICHARD HARBORD
Chair

Report to: **Pension Board**

Date: **12 May 2016**

By: **Chief Operating Officer**

Title: **Pension Committee Agenda**

Purpose: **To consider and comment on the 31 May Pension Committee agenda**

RECOMMENDATIONS

The Board is recommended to consider and comment on 31 May 2016 Pension Committee items.

1. Background

- 1.1 The agenda items for 31 May 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 The Pension Board is requested to comment on and note the information contained in these reports.

KEVIN FOSTER
Chief Operating Officer

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Background Documents
None

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PENSION COMMITTEE

TUESDAY, 31 MAY 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 LGPS pooling draft submission
 - ACCESS Update
- 7 Quarterly performance report – Hymans Robertson
 - Rebalancing Policy
 - Potential Brexit's Implications
- 8 Fund performance – Ruffer (Absolute Return) *(to follow)*
- 9 Reporting breaches policy and procedure
- 10 Discretionary policy statement
- 11 Draft Pension Fund Annual Report – 2015/16 *(see item 6 of the Pension Board report)*
- 12 External Audit Plan for 2015/16
- 13a Officers' report - Business Operations
- 13b Officers' report - General Update
- 14 Pension Committee work programme/training
- 15 Any other items previously notified under agenda item 4

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23 May 2016

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Agenda Item

Report to:	Pension Committee
Date:	31 May 2016
By:	Chief Operating Officer
Title of report:	LGPS Investment Pooling
Purpose of report:	This report provides an update on the Government's requirement for LGPS funds to pool investments, the Fund decision to join the ACCESS Pool and to seek approval regarding the final refined submission due to be submitted in July 2016.

RECOMMENDATIONS**The Committee to:**

1. consider the report, updating the Committee on working with the ACCESS Pool as the preferred option for the Fund.
2. authorises the Chief Operating Officer, in consultation with Chairman of the Pensions Committee, to submit the refined detailed response from the East Sussex Pension Fund and ACCESS Pool on the Government's consultation and pooling requirements. A copy of the submission will be circulated to members of both the Pension Committee and Pension Board.

1. Background

1.1 In the July 2015 budget the government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Following this in the Autumn Statement, the government published the criteria for the pooling of LGPS investment assets.

1.2 In response to the government agenda, at the 8 February 2016 meeting, the Committee formally ratified the option considered on 12 January 2016 to join the ACCESS (i.e., 'A Collection of Central, Eastern and Southern Shires') Pool. This decision was to work with the other funds in the ACCESS Pool to submit proposals to Government.

1.3 The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce whilst local accountability will be maintained as each individual fund will remain responsible for strategic decisions, including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments.

2. Submission to the Government

2.1 The ACCESS initial proposal (Appendix A) signed by the Chairs of each fund within ACCESS group was submitted to Government in line with the 19 February 2016 deadline. This proposal sets out the proposals for pooling the group's assets and how the proposal meets the Government's criteria. Developing this proposal has drawn upon the knowledge and experience of the local Funds' officers and Committees.

2.2 A final refined submission, demonstrating how the criteria will be met, is due to be submitted on 15 July 2016. This submission must fully address the detailed criteria set out in the consultation. The submission must comprise for each pool, a joint proposal from participating authorities/funds setting out pooling arrangements in detail. There is a considerable amount of work to be done by the funds within the ACCESS Pool to decide on the legal structure of the Pool, to refine the cost/benefit analysis that has been done already, and to draw the lines, which will define what will be classed as an asset allocation decision (to be made by the fund) and what will be classed as a manager selection decision (to be made by the pool).

2.3 DCLG states that the process for establishing the pools will take around 18 months, with liquid assets transferring to the pools from April 2018. This implies pools will be finally approved by government by October 2016.

3. Impact on the Committee

3.1 How does this change impact the Committee? The only area that changes for the Pensions Committee is manager selection. The important aspects of managing the Pension Fund will all stay with the Committee; the asset allocation (e.g. how much in equities or bonds, how much in UK or overseas), the administration of the benefits, and the Fund governance. The Pool will manage the investments of the Fund, and the manager selection, in line with the asset allocation set by the Committee. The Pool will be responsible for the manager's choice, but will be accountable to the Fund for poor investment decisions. The Pool will report to the Fund on the performance of its investments, rather than the manager presentation meetings that are currently held.

3.2 ACCESS Pool has set up regular meetings, specific work-stream re each pooling criteria's, seminars, phone conferences for officer's engagement, and continue to seek legal advice on crucial decisions. In addition, there have been meetings organised by ACCESS Pool for Chairs and Vice Chairs of the constituent funds, to provide information and updates. The event provided ACCESS Chairs with opportunity to air their view on the proposed change (Appendix B1 and B2) and to be provided with the key features of the group of funds committed to working together within the ACCESS pool.

3.4 Given the timescale in which the final refined submission is required (i.e., 15th July 2016), it is requested that authority is delegated to the Chief Operating Officer, in consultation with Chair of the Pensions Committee, to submit a response to the consultation on the proposal for asset pooling as part of ACCESS Pool.

4. Options for Pooling Structures (Appendix B3)

4.1 In order to make detailed submission to the Government, due on 15 July 2016 in response to the criteria for pooling, ACCESS needs to identify the legal structure of its investment pool. This is a key decision for ACCESS as not only are there significant financial and regulatory impacts, depending on the chosen legal structure, this decision will also shape much of the rest of the July submission in terms of defining the governance of the pool and resources required.

4.2 The ACCESS Chairman's at the engagement meeting on 22 April 2016 agreed that ACCESS pursue the creation of a Regulated Investment Management company. This structure would provide for a wholly owned Regulated Investment (or Fiduciary) Manager to carry out regulated activity (managing investments) via an authorised person. As part of the Regulated Investment Manager structure, each Authority will be represented within the ACCESS pool via an Operating Group (populated by Officers) and a Joint Committee formed under Section 101 Local Government Act 1972 (comprising Chairs from each of the Administering Authorities).

5. Conclusion and reasons for recommendations

5.1 The Government requires all Local Government Pension Funds to respond by 15 July 2016, setting out how they intend to pool their assets in the future and the pool structure. The Committee is recommended to continue 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



The submission from
ACCESS
(A Collaboration of Central, Eastern & Southern Shires)
in response to the
LGPS: Investment Reform Criteria and Guidance
On behalf of



Cambridgeshire County Council



East Sussex County Council



Essex County Council ¹



Hampshire County Council



Isle of Wight Council



Kent County Council



Norfolk County Council



Northamptonshire County Council



Suffolk County Council



West Sussex County Council

¹ Essex County Council has been shown as a participating authority. However its formal s101 Committee meeting to formalise its status will be on 22nd February 2016.

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Page 17	D: An Improved Capacity to Invest in Infrastructure
Appendix A	Memorandum of Understanding
Appendix B	Project Plan

Please note: if you have any questions regarding the content of this document please contact either Paul Finbow at paul.finbow@suffolk.gov.uk or Rachel Wood at rachel.wood@westsussex.gov.uk.

Introduction

The ACCESS pool takes this opportunity to present details of its plans and the progress it has made in meeting the Government's requirements as published in the Department for Communities and Local Government's *Local government pension scheme: investment reform criteria and guidance* documentation on 25th November 2015.

ACCESS (a collaboration of central, eastern and southern shires) has been formed in order to respond to the Government's investment reform criteria. The map below illustrates the confirmed participants in the ACCESS pool.²



The participating authorities reflect a strong commitment to the project and share an approach to achieve common objectives. The ACCESS authorities have set out a clear set of guiding principles, which are summarised below:

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money

The ACCESS authorities will create a pool with assets of circa.£30bn which exceeds the Government's criterion. Historically the authorities have taken a broadly similar approach to investing. For example:

- The average return for the authorities participating in the ACCESS pool exceeded the WM Local Authority Average over the medium term (five years).
- 75% of the pool assets are invested across 12 managers.
- 60% of the pool assets are invested in equities.
- 75% of the pool assets are actively managed.
- All funds have some exposure to passive investment.
- The published 2013 actuarial funding levels for ACCESS authorities show an average of 81%. This compares to a national mean average of 78% for all LGPS's in England and Wales.

² Please refer to footnote 1 regarding the inclusion of Essex County Council.

These characteristics illustrate the very solid building blocks on which the pool will be formed. This foundation will assist the ACCESS authorities when working collaboratively during the formative stages of the asset pool. This includes the formulation of final detailed proposals in July 2016, through to the eventual transfer of liquid assets from 2018. This shared approach will stand the ACCESS pool in good stead over subsequent decades and enable participating authorities to execute their fiduciary responsibility to Local Government Pension Scheme (LGPS) stakeholders, as economically as possible whilst achieving optimum investment returns.

The potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise is already clear. Each authority is committed to working together to establish a viable pool and ensuring the permanency and stability of any proposed structure.

Attached are further details of our proposals and we would welcome engagement from Government Officers to discuss matters further.

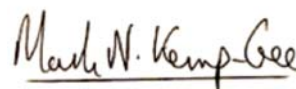
Signed



Cambridgeshire County Council



East Sussex County Council



Hampshire County Council


Essex County Council ³



Isle of Wight Council



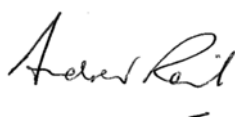
Kent County Council



Norfolk County Council



Northamptonshire County Council



Suffolk County Council



West Sussex County Council

³ Please refer to footnote 1 regarding the inclusion of Essex County Council.

Progress in meeting the pooling criteria

The Government's Investment Reform programme, and the creation of six asset pools, represents a significant project with considerable challenges in terms of size, technical and legal issues and agreeing a sustainable demographic governance model. It is important, therefore, that all aspects of the design and implementation are the outcome of collaborative informed and evidenced consideration by each authority participating in the pool.

The authorities participating in the ACCESS pool made a conscious decision to consider carefully the evidence on the most effective design of pools before detailed work on the ACCESS pool was undertaken. The proposal set out here has been heavily influenced by the work of "Project POOL", in which many of the ACCESS authorities participated. The ACCESS pool is now able to make further progress, confident that their proposal is on a sound basis.

Members of S101 Pension Committees, officers and other interested parties participating in ACCESS have engaged in this process and are committed to establishing a viable pool. All participating authorities have signed up to a Memorandum of Understanding (MoU) which underlines our commitment to investment pooling and the permanency of any proposed structure. It also sets out the basis for engagement, cost sharing and governance. The MoU has been appended to this submission.

ACCESS authorities have a clear project plan in place which sets out how each of the participating authorities will collaborate effectively to come to clear, objective, evidence based decisions. The authorities have commissioned Hymans Robertson to provide project support and have established an Officer Working Group to drive forward the business case for submission in July 2016, and the implementation that will follow. The project plan has been appended to this submission and shows how additional professional support will be sought when required. The participating authorities are comfortable with the progress made to date and are confident that the required work can be completed in advance of the July 2016 submission.

Finally, ACCESS authorities are establishing relationships with the wider LGPS community participating in other pooling groups, where possible, to ensure best practice, national coordination and optimal cost savings are achieved.

A: Asset pool(s) that achieve benefits of scale

The ACCESS group has created a pool with assets of almost £30bn.⁴

The current pool size may increase in the near future as additional authorities consider their options.

The assets by authority at 31st March 2015 are set out below.⁵ No single authority dominates the pool, which helps ensure a more collaborative approach to governance.

Authority	£m	Allocation
Cambridgeshire County Council	2,268	7.6%
East Sussex County Council	2,740	9.1%
<i>Essex County Council</i>	<i>4,906</i>	<i>16.4%</i>
Hampshire County Council	5,111	17.1%
Isle of Wight Council	483	1.6%
Kent County Council	4,515	15.1%
Norfolk County Council	2,930	9.8%
Northamptonshire County Council	1,850	6.2%
Suffolk County Council	2,193	7.3%
West Sussex County Council	2,964	9.9%
Total	29,959	100.0%

Whilst the scale criterion has clearly been met it is important to note that there is a significant commonality in investments and associated suppliers:

- 75% of the assets are invested across 12 managers which will potentially allow 'early wins' in delivering cost optimisation for participants.
- There are 71 different managers used across the authorities which will also allow for rationalisation to be a targeted and managed process.

⁴ Please refer to footnote 1 regarding the inclusion of Essex County Council.

⁵ Please refer to footnote 1 regarding the inclusion of Essex County Council.

B: Strong Governance and Decision Making

The Government's criterion seeks to maintain democratic accountability within pooling arrangements and this is considered crucial to ensuring a successful pool.

ACCESS authorities have a clear set of objectives and principles, set out below, that will drive the decision making process over the next five months and allow participating authorities to help shape the design of the pool.

Objectives

- 1) Enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2) Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
- 3) Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the ACCESS authorities have established the following guiding principles

Principles

- The participating authorities will work collaboratively.
- Participating authorities will have an equitable voice in governance.
- Decision making will be objective and evidence based.
- The pool will use professional resources as appropriate.
- The risk management processes will be appropriate to the pool's scale, recognising it as one of the biggest pools of pension assets in the UK.
- The pool will avoid unnecessary complexity.
- The pool will evolve its approach to meet changing needs and objectives.
- The pool will welcome innovation.
- The pool will be established and run economically, applying value for money considerations.
- The pool's costs will be shared equitably.
- The pool is committed to collaboration with other pools where there is potential to maximise benefits.

Work is underway to determine the governance structure for the ACCESS pool, the mechanisms by which each Administering Authority can hold the pools to account and the processes for making decisions.

The governance arrangements for the ACCESS pool will facilitate, in an economically efficient way, authorities' preferences on local decision making within the Government's framework for pools.

The project plan sets out key milestones for the governance work stream to ensure proposals are finalised by July 2016 and can be operational thereafter to support the transition of assets within the Government's timetable.

C: Reduced Costs and Excellent Value for Money

ACCESS authorities have initiated detailed work to accurately quantify the potential savings in investment fees, in the near term and over the next 15 years. These savings will be set out in the July 2016 submission.

ACCESS authorities believe it is critical that current costs and potential for savings are assessed professionally and using consistent methodology across all authorities and all pools, whilst always being mindful of the need to maximise investment return in each asset class. To this end the pool is proposing to use third party benchmarking expertise with experience of global market for pension funds.

The accounting year 2012-2013 will be used as the cost benchmark to take account of savings LGPS authorities have made since then.

ACCESS authorities endorse the estimated annual cost savings published by Project POOL indicating that circa £145-190m per annum could be saved across English and Welsh authorities via pooling arrangements, ten years after pooling has been implemented. This could increase to c£240-320m per annum if future asset growth of 5% per year for ten years is assumed.

As Project POOL noted, actual cost savings could be greater due to:

- competition when pools appoint external managers driving fees down
- additional savings on less visible layers of fees on alternative assets
- greater use of “in-house” management

This should mean that over the very long term, the costs of transition, and establishing and running the pool, will be recouped by savings and other benefits.

However, in the short term, the costs of implementing change are likely to exceed the savings.

Work to establish the savings for authorities participating in the ACCESS pool will begin very shortly as set out in the project plan. As part of its work over the next five months, ACCESS authorities will also assess the potential of its intended investment approach including the potential for active management to provide higher net returns. The work will also examine implementation costs and reporting proposals.

ACCESS authorities recognise the long term potential for cost savings from in house management, and are committed to considering how best to develop, or access, such capability over the longer term.

D: An Improved Capacity to Invest in Infrastructure

All of the ACCESS authorities invest in real estate assets (including industrial, healthcare, rental housing, retail, office units) and six of the ten authorities have some exposure to more specialist infrastructure (which fits with the Institute of Civil Engineers definition of networks for transport, energy generation and distribution, electronic communications, solid waste management, water distribution and waste water treatment etc).⁶ The table below sets out the range of commitment and investment levels by the participating authorities.

	Real Estate	Specialist Infrastructure
Strategic Allocation	From 8% to 12%	From 1% to 6%
Current Investment	From 5% to 12%	From 0% to 3%
Allocation/Value	£2,999m	£381m
Investment Type	Direct Multi-manager Pooled	Direct Fund of Funds

The differential between the strategic allocation and actual investment for specialist infrastructure demonstrates the significant challenge in finding investments which will yield returns large enough, and of appropriate profile, to justify their acquisition. ACCESS authorities are committed to investigating all options for providing the participating authorities with access to the most appropriate infrastructure investments to match their asset allocations, including, if appropriate, working with other LGPS authorities or pools nationally to create a vehicle which will help make appropriate infrastructure investments more accessible to the LGPS at a lower cost. To ensure success, such a vehicle should be designed to meet the specific needs of LGPS investors given the distinctive nature of LGPS pension liabilities and risk appetite. If the vehicle can deliver access to the appropriate type of infrastructure investment ACCESS authorities believe that in the long term there is potential for the ACCESS pool to achieve an asset allocation closer to larger global funds.

Planning to carry out this work has commenced and a fuller response will be provided in July.

⁶ <http://researchbriefings.files.parliament.uk/documents/SN06594/SN06594.pdf>

Dated

2016

CAMBRIDGESHIRE COUNTY COUNCIL
ESSEX COUNTY COUNCIL
EAST SUSSEX COUNTY COUNCIL
HAMPSHIRE COUNTY COUNCIL
ISLE OF WIGHT COUNCIL
KENT COUNTY COUNCIL
NORTHAMPTONSHIRE COUNTY COUNCIL
NORFOLK COUNTY COUNCIL
SUFFOLK COUNTY COUNCIL
and
WEST SUSSEX COUNTY COUNCIL



ACCESS Pool Memorandum of Understanding

nplaw
Public Sector Legal Expertise

nplaw
Norfolk County Council
County Hall
Martineau Lane
Norwich
Norfolk
NR1 2DH
ref: nplaw/34531

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THIS AGREEMENT IS MADE ON THE DAY OF

2016

BETWEEN

- (1) **CAMBRIDGESHIRE COUNTY COUNCIL** of Shire Hall, Castle Street, Cambridge, CB3 0AJ ("**Cambridge**");
 - (2) **ESSEX COUNTY COUNCIL** of County Hall, Market Road, Chelmsford CM1 1QH ("**Essex**");
 - (3) **EAST SUSSEX COUNTY COUNCIL** of County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE ("**East Sussex**");
 - (4) **HAMPSHIRE COUNTY COUNCIL** of The Castle, Winchester, Hampshire SO23 8UJ ("**Hampshire**");
 - (5) **ISLE OF WIGHT COUNCIL** of County Hall, High St, Newport, Isle of Wight PO30 1UD ("**Isle of Wight**");
 - (6) **KENT COUNTY COUNCIL** of County Hall, Maidstone, ME14 1XQ ("**Kent**");
 - (7) **NORFOLK COUNTY COUNCIL** of County Hall, Martineau Lane, Norwich, NR1 2DH ("**Norfolk**");
 - (8) **NORTHAMPTONSHIRE COUNTY COUNCIL** of County Hall, Northampton NN1 1ED ("**Northants**");
 - (9) **SUFFOLK COUNTY COUNCIL** of Endeavour House, 8 Russell Road, Ipswich, Suffolk, IP1 2BX ("**Suffolk**");
- and
- (10) **WEST SUSSEX COUNTY COUNCIL** of County Hall North, West Street, Chichester, West Sussex, PO19 1RG ("**West Sussex**")

together "**the Parties**" and each individually "**the Party**"

1. **BACKGROUND**

1.1 The Parties as respective administering authorities of the Local Government Pensions Scheme ("**LGPS**") Cambridgeshire Pension Fund, Essex Pension Fund, East Sussex Pension Fund, Hampshire Pension Fund, Kent Pension Fund, Northamptonshire Pension Fund, Norfolk Pension Fund, Isle of Wight Pension Fund, Suffolk Pension Fund and West Sussex County Council Pensions for the purposes of the project described in this agreement ("**the Project**") and collectively referred to as the "**ACCESS Pool**" wish to collaborate in order to:

1.1.1 respond to the Chancellor of Exchequer's Summer Budget of 2015 and fulfil their respective obligations arising pursuant to the Department for Communities and Local Government's

*Local Government Pension Scheme: Investment Reform
Criteria and Guidance of November 2015;*

- 1.1.2 demonstrate their respective commitments to LGPS Multi-asset Pools (“**MAPs**”); and
- 1.1.3 meet their requirement to submit detailed proposals to Government by 15th July 2016 deadline.

Accordingly the Parties have agreed to work together to achieve the mission statement set out in Appendix A (“**Mission Statement**”) and wish to record the basis on which they will collaborate on the Project. This Memorandum of Understanding (“**MoU**”) sets out:

- 1.1.4 the objectives of the Project;
- 1.1.5 the principles of collaboration;
- 1.1.6 the initial governance structures the Parties will put in place; and
- 1.1.7 the respective roles and responsibilities the Parties will have during the Project.

2. KEY OBJECTIVES FOR THE PROJECT

- 2.1 The Parties shall undertake the Project to achieve the Mission Statement in accordance with the principles set out in Appendix B to this MoU (“**Principles**”).

3. PRINCIPLES OF COLLABORATION

- 3.1 The Parties agree to adopt the following behaviours when carrying out the Project (“**Behaviours**”):
 - 3.1.1 collaborate and co-operate. The Parties will establish and adhere to the governance structure set out in this MoU to ensure that activities are delivered and actions taken as required;
 - 3.1.2 be accountable. The Parties will take on, manage and account to each other for performance of the respective roles and responsibilities set out in this MoU;
 - 3.1.3 be open. The Parties will communicate openly about concerns, issues or opportunities relating to the Project;
 - 3.1.4 learn, develop and seek to achieve full potential. The Parties will share information, experience, materials and skills to learn from each other and develop effective working practices, work collaboratively to identify solutions, eliminate duplication of effort, mitigate risk and reduce cost;

- 3.1.5 adopt a positive outlook. The Parties will behave in a positive, proactive manner;
- 3.1.6 adhere to statutory requirements and best practice. The Parties will comply with applicable laws and standards including EU procurement rules, data protection and freedom of information legislation;
- 3.1.7 act in a timely manner. The Parties will recognise the time-critical nature of the Project and respond accordingly to requests for support;
- 3.1.8 manage stakeholders effectively;
- 3.1.9 deploy appropriate resources. The Parties will ensure sufficient and appropriately qualified resources are available and authorised to fulfil the responsibilities set out in this MoU. In particular the parties agree to make the contributions detailed in Appendix C to this MoU; and
- 3.1.10 act in good faith to support achievement of the Mission Statement, adherence to the Principles and compliance with these Behaviours.

4. PROJECT GOVERNANCE

4.1 Overview

The governance structure defined below provides a structure for the development and delivery the Project.

4.2 Governance Aims

The following aims for the governance of the Project are agreed. The Project's governance will:

- 4.2.1 provide strategic oversight and direction;
- 4.2.2 be based on clearly defined roles and responsibilities at organisation, group and, where necessary, individual level;
- 4.2.3 align decision-making authority with the criticality of the decisions required;
- 4.2.4 be aligned with the Project (and may therefore require changes over time); and
- 4.2.5 provide coherent, timely and efficient decision-making.

4.3 Officer Working Group

- 4.3.1 The Officer Working Group consisting of the representatives of each of the Parties set out at clause 4.3.2 (“**the Officer Working Group**”) will provide strategic and operational management of the Project. It will provide assurance to the Parties that the Mission Statement and Principles are being met.
- 4.3.2 The Officer Working Group shall have responsibility for the creation and execution of the project plan and deliverables, and therefore it can draw technical, commercial, legal and communications resources as appropriate into the Officer Working Group. Each Party shall have a representative on the Officer Working Group with sufficient authority for the Officer Working Group to discharge its responsibilities. The initial named members are:

Pension Fund	REPRESENTATIVE	EMAIL ADDRESS
CAMBRIDGESHIRE	Mark Whitby	MWhitby@northamptonshire.gov.uk
EAST SUSSEX	Ola Owolabi	Ola.Owolabi@eastsussex.gov.uk
ESSEX	Kevin McDonald	Kevin.McDonald@essex.gov.uk
HAMPSHIRE	Andrew Boufflower	andrew.boufflower@hants.gov.uk
ISLE OF WIGHT	Jo Thistlewood	Jo.Thistlewood@iow.gov.uk
KENT	Nick Vickers	nick.vickers@kent.gov.uk
NORFOLK	Nicola Mark	Nicola.Mark@norfolk.gov.uk
NORTHAMPTONSHIRE	Paul Tysoe	PHTysoe@northamptonshire.gov.uk
SUFFOLK	Paul Finbow	paul.finbow@suffolk.gov.uk
WEST SUSSEX	Rachel Wood	rachel.wood@westsussex.gov.uk

- 4.3.3 Each party may substitute or replace the initial named representative as required.
- 4.3.4 The Officer Working Group shall meet monthly or as otherwise agreed from time to time.
- 4.3.5 Any Party may call a meeting of the Officer Working Group provided that at least ten business days’ notice of a meeting

of the Officer Working Group is given to all the Parties. A proposed agenda shall be attached to each notice.

- 4.3.6 A shorter period of notice of a meeting of the Officer Working Group may be given if at least three Parties agree in writing.
- 4.3.7 The quorum of any Officer Working Group meeting shall be 75% of the Parties.
- 4.3.8 No business shall be conducted at any Officer Working Group unless a quorum is present at the beginning of the meeting and at the time when there is to be voting on any business.
- 4.3.9 Parties may participate by telephone in any Officer Working Group meeting and shall be included for purposes of the quorum.
- 4.3.10 The Parties shall use their respective reasonable endeavours to ensure that any meeting of the Officer Working Group has the requisite quorum.
- 4.3.11 Where the Officer Working Group wishes to vote on any such matters shall be resolved by a simple majority of those present or participating by telephone.

4.4 **Reporting**

Project reporting shall be undertaken at two levels:

- 4.4.1 **Officer Working Group:** Minutes and actions will be recorded for each Officer Working Group meeting highlighting: Progress on actions; issues being managed; issues requiring escalations and progress planned for the next period and circulated to the Parties promptly following each meeting. Any additional reporting requirement shall be at the discretion of the Officer Working Group.
- 4.4.2 **Organisational:** the Officer Working Group members shall be individually responsible for drafting any reports that their respective sponsoring organisations may require from time to time.

5. **ROLES AND RESPONSIBILITIES**

- 5.1 The Parties shall undertake the roles and responsibilities required to deliver the Project as agreed at its commencement and from time to time.

- 5.2 For the purpose of such roles and responsibilities a Lead may be appointed by the Officer Working Group, being the party who has principal responsibility for undertaking the particular task or area of work as set out and instructed by the Officer Working Group. The Lead must act in compliance with the Mission Statement, Principles and Behaviours at all times.

6. ESCALATION

- 6.1 If a Party has any material issues, concerns or complaints about the Project, or any matter in this MoU, that Party shall notify the other Parties with a direct interest in such issues and those Parties shall then seek to resolve the issue by a process of consultation.
- 6.2 If any Party receives any formal inquiry, complaint, claim or threat of action from a third party (including, but not limited to, claims made by a supplier or requests for information made under the Freedom of Information Act 2000 (“**FOIA**”) in relation to the Project, the matter shall be referred to the Officer Working Group (or its nominated representatives) as soon as practicable and in any event within two (2) business days of receipt. No action shall be taken in response to any such inquiry, complaint, claim or action, to the extent that such response would adversely affect any Party, without the prior approval of that Party (or its nominated representative). Each of the Parties shall provide all necessary assistance and cooperation as reasonably requested by the Officer Working Group to enable the Parties to comply with their respective obligations under FOIA.
- 6.3 No Party shall commence formal dispute resolution proceedings (to include litigation) until the Parties' designated representatives have attempted to resolve the dispute informally by discussing the problem and negotiating in good faith for a period of at least 15 business days.

7. INTELLECTUAL PROPERTY & PUBLICITY

- 7.1 The Parties intend that notwithstanding any secondment any intellectual property rights created in the course of the Project shall vest in the Party whose employee created them (or in the case of any intellectual property rights created jointly by employees of several Parties in the Lead noted in clause 5 above for the part of the Project that the intellectual property right relates to).
- 7.2 Where any intellectual property right vests in any Party in accordance with clause 7.1 above, that Party shall grant an irrevocable royalty-free licence to the other Parties to use that intellectual property for the purposes of the Project.

- 7.3 Unless otherwise directed by the Parties, the Officer Working Group shall be responsible for all press announcements and publicity in relation to the Project.
- 7.4 The Parties shall be entitled to publicise their involvement in accordance with any legal obligation upon the respective Party.

8. TERM AND TERMINATION

- 8.1 This MoU shall commence on the date of signature by each of the Parties, and shall expire on completion of the Project which shall be deemed to occur on the latter of the 15th July 2016 or the acceptance by the Department for Communities and Local Government of any clarifications required by it pursuant to the submission referred to in clause 1.1.3.
- 8.2 A Party may terminate its participation in the Project and agreement to this MoU by giving at least one months' notice in writing to the other Parties at any time.
- 8.3 On termination or expiry of this MoU, the following clauses shall continue in force: clauses 6, 7, 8, 9, 10, 11, 12 and 13.

9. VARIATION

This MoU, including the Appendices, may only be varied by written agreement of all the Parties.

10. CHARGES AND LIABILITIES

- 10.1 Except as otherwise provided including at clause 10.2, the Parties shall each bear their own costs and expenses incurred in complying with their obligations under this MoU.
- 10.2 The Parties agree to share the costs and expenses arising in respect of the Project between them in accordance with the Contributions Schedule [set out in Appendix C to this MoU][to be developed by the Officer Working Group and approved by the Parties within three months of the date of this MoU].
- 10.3 Each of the Parties shall remain liable for any losses or liabilities incurred due to their own or their employee's actions.
- 10.4 For the avoidance of doubt a Party's obligations pursuant to clause 10.2 in respect of funding for costs that have not been incurred by the Project at the date of that Party's termination in the Project shall upon the date of termination.

11. STATUS

- 11.1 The Parties enter into the MoU intending to honour all their obligations. Clauses 6, 7, 8, 9, 10, 11, 12 and 13 are legally binding. The other clauses of this MoU are not intended to be legally binding.
- 11.2 Nothing in this MoU is intended to, or shall be deemed to, establish any partnership or joint venture between the Parties, constitute either Party as the agent of the other Party, nor authorise any of the Parties to make or enter into any commitments for or on behalf of the other Parties.

12. COUNTERPARTS

- 12.1 This MoU may be executed in any number of counterparts and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart. Each counterpart, when executed, shall be an original of this MoU and all counterparts shall together constitute one instrument.
- 12.2 Any notice given to a Party under or in connection with this MoU shall be in writing and shall be:
 - 12.2.1 delivered by hand or by pre-paid first-class post or other next working day delivery service at its principal place of business as referred to in this MoU; or
 - 12.2.2 sent by email to the address specified in clause 4.3.2.

13. GOVERNING LAW AND JURISDICTION

- 13.1 This MoU shall be governed by and construed in accordance with English law and, without affecting the escalation procedure set out in clause 6, each of the Parties agrees to submit to the exclusive jurisdiction of the courts of England and Wales.
- 13.2 Notwithstanding anything apparently or impliedly to the contrary in this MoU, in carrying out its statutory duties or functions the discretion of each of the Parties shall not be fettered, constrained or otherwise unlawfully affected by the terms of this MoU.

APPENDIX A – ACCESS POOL MISSION STATEMENT

To establish a multi-asset pooling arrangement in order to:

- 1) Enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2) Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
- 3) Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

DRAFT

APPENDIX B – Principles of the ACCESS Pool

1. The participating authorities will work collaboratively.
2. Participating authorities will have an equitable voice in governance.
3. Decision making will be objective and evidence based.
4. The pool will use professional resources as appropriate.
5. The risk management processes will be appropriate to the pool's scale, recognising it as one of the biggest pools of pension assets in the UK.
6. The pool will avoid unnecessary complexity.
7. The pool will evolve its approach to meet changing needs and objectives.
8. The pool will welcome innovation.
9. The pool will be established and run economically, applying value for money considerations.
10. The pool's costs will be shared equitably.
11. The pool is committed to collaboration with other pools where there is potential to maximise benefits.

APPENDIX C - Contributions

[INSERT DETAILS OF CONTRIBUTIONS (INCLUDING FINANCIAL, STAFFING, PREMISES, USE OF IT ETC) THAT THE PARTIES ARE WILLING TO COMMIT. THIS SHOULD ALSO INCLUDE ANY ARRANGEMENTS FOR CROSS-CHARGING AND OTHER PROJECT COSTS (FOR EXAMPLE ANY CONSULTANT'S COSTS THAT MAY NEED TO BE PAID)]

DRAFT

Signed for and on behalf of the
Administering Authority for the
CAMBRIDGESHIRE COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for THE
ESSEX COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for THE
EAST SUSSEX COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for THE
HAMPSHIRE COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the Administering Authority
for the **ISLE OF WIGHT COUNCIL**

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for the
KENT COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for the
NORFOLK COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for the
NORTHAMPTONSHIRE COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for the
SUFFOLK COUNTY COUNCIL

Signature:

Name:

Position:

Date:

Signed for and on behalf of the
Administering Authority for the
WEST SUSSEX COUNTY COUNCIL

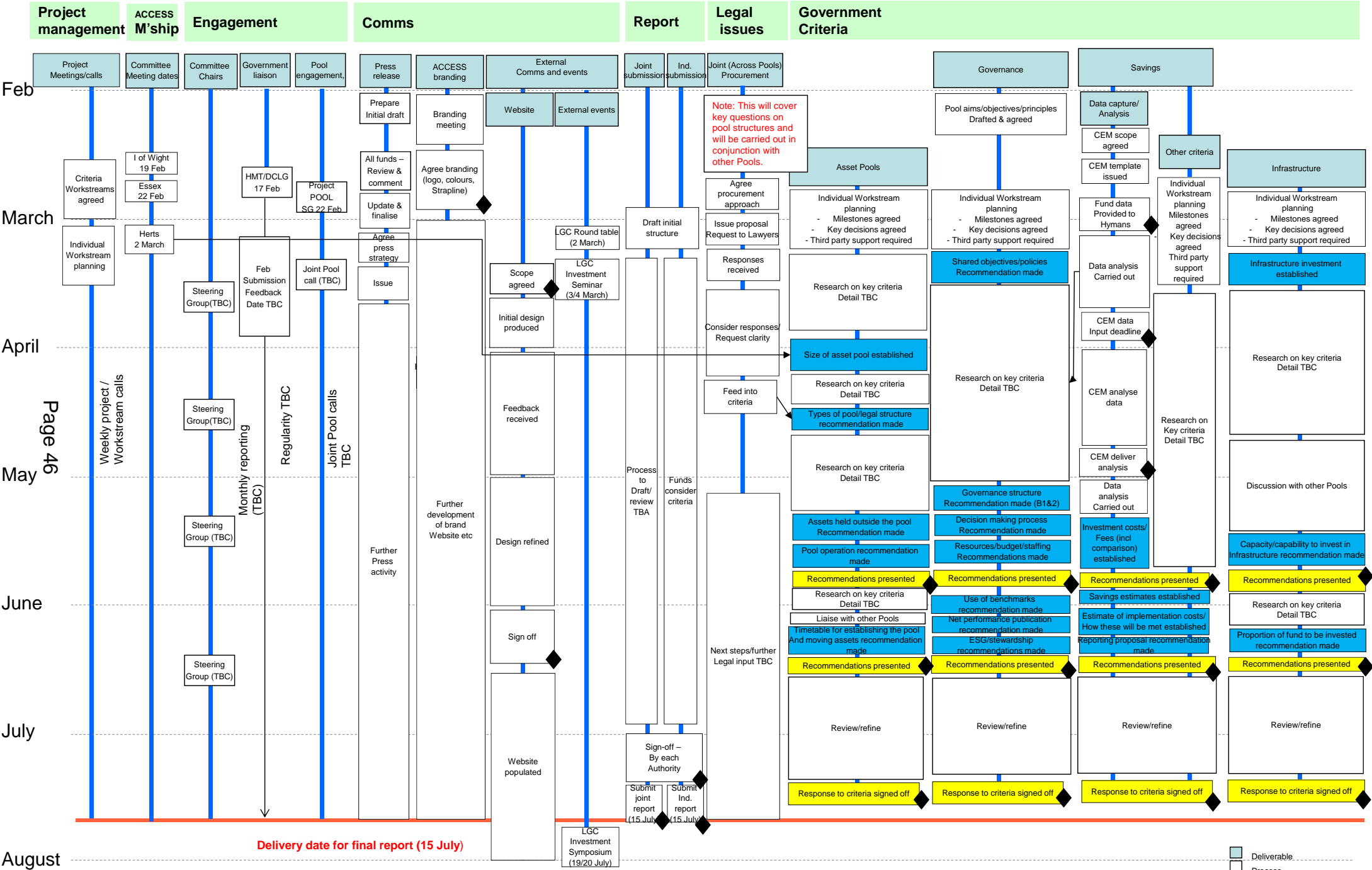
Signature:

Name:

Position:

Date:

ACCESS Pool July joint submission - project overview as at February 2016





Department for
Communities and
Local Government

Marcus Jones MP
Minister for Local Government

**Department for Communities and Local
Government**

4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Tel: 0303 444 3460
Fax: 020 7828 4903
E-Mail: marcus.jones@communities.gsi.gov.uk

www.gov.uk/dclg

24 MAR 2016

Cllr Steve Count
Cllr Rodney Lister Bass
Cllr Richard Stogdon
Cllr Mark Kemp-Gee
Cllr Ivor Warlow
Cllr Susan Carey
Cllr Jason Law
Cllr Graham Lawman
Cllr Peter Bellfield
Cllr Jeremy Hunt
By email

Dear Chairs,

ACCESS INVESTMENT POOL PROPOSAL

I would like to thank you and all the authorities involved in the proposed ACCESS pool for submitting your initial proposal by 19 February. I was pleased to see that all 90 authorities made a commitment to pooling, with the overwhelming majority already involved in developing a pool. The move towards collective investment represents a significant opportunity for administering authorities to deliver substantial savings and efficiencies, and your contribution is much appreciated.

I welcome the initial ACCESS proposal and encourage you to continue with your work to develop a detailed submission that fully addresses the criteria by 15 July. Your initial pool clearly meets the scale criterion and the agreement to a Memorandum of Understanding will undoubtedly provide a strong foundation upon which a more detailed proposal can be built. I also welcome your commitment to consistent reporting of costs and to working with other pools on infrastructure investment. However, your proposal contains little detail and is at an early stage compared to other pools, particularly on governance and legal structures. There remains a considerable amount of work to do before July.

The key challenge for the ACCESS pool, as for most pools, is the development of clear and effective governance which provides the assurance authorities, beneficiaries, and co-investors require. In my view, the structure, standards and systems required for an entity regulated by the Financial Conduct Authority provide substantial assurance. As a minimum, I expect to see a single entity at the heart of any proposal, with responsibility for selecting and contracting with managers, as well as the employment of staff. There should also be a clear distinction between the roles of those involved in the governance of the pool, and its operations.

In your July submission I will want to see more detail against the infrastructure criteria, including setting out your constituent fund's ambition for infrastructure investment where the right opportunities exist. Several pools committed to exploring a national vehicle to access

infrastructure investment at a larger scale and at lower cost. We will therefore work with administering authorities to establish a new Local Government Pension Scheme (LGPS) infrastructure investment platform that meets the specific needs of LGPS investors.

I will also expect the final proposal to address the reporting requirements in the criteria and guidance in detail. Reporting will need to cover progress in establishing the pool and moving assets into it, implementation costs, fees and other costs incurred, including hidden costs, estimated savings, and net performance in each asset class.

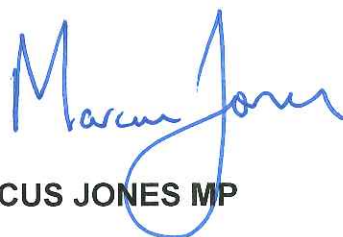
I will also take this opportunity to respond to two questions raised in many pooling submissions:

- Some authorities have indicated that they would prefer to use more than one pool, often to ensure that their investment strategy can be fully implemented. I do not consider that this approach should be necessary as the governance structure should enable authorities to hold the pool to account and ensure that their investment strategy is implemented effectively. However, one pool may of course procure services from another, especially if a particular asset class is not yet available. The use of multiple pools should certainly not be considered as a means to access a preferred manager or very specific asset class not available through your pool.
- My expectation remains that all investments should be made through the pool. However, I recognise that there may be a limited number of existing investments that might be less suitable to pooled arrangements, such as local initiatives or some products tailored to specific liabilities. The rationale for retaining any existing investments outside of the pool will need to be set out in the final proposal, making clear how this offers value for money. Any exemptions should be minimal and kept under review. I also recognise that a similar approach will need to be taken for illiquid assets with high penalty costs for early exit of a contract. Such investments should not be wound up early as a result of pooling but instead transferred across when practicable, taking into account value for money.

I strongly encourage you to meet officials in April to discuss progress and to continue dialogue with officials over the coming months as you develop your thinking. For the final assessment, the panel will include members with specific expertise in investment management, and you may be asked to present at a meeting of the assessment panel well ahead of your July submission. I look forward to receiving your detailed proposals.

I am copying this letter to the chairs of Pension Committees in all the participating authorities.

Yours sincerely,



MARCUS JONES MP



Marcus Jones MP
Minister for Local Government
Department for Communities & Local Government
Fourth Floor, Fry Building
2 Marsham Street
London SW1P 4DF

7 April 2016

Dear Minister,

INVESTMENT POOLING

Thank you for your letter dated 24 March.

As the Chairmen of LGPS Funds, who are joint signatories to the ACCESS proposal, we have scheduled a series of regular meetings to develop our pooling model. The most recent meeting took place on Tuesday, 29 March which, in addition to receiving updates on progress and considering developments on pooling structures, enabled us to discuss your letter collectively.

Following legal opinion, received earlier this month from both Eversheds and Squire Paton Boggs, our officers have highlighted two main potential ways forward: the fully regulated Collective Investment Vehicle or CIV (the Authorised Contractual Scheme route) and the Collective Asset Pool (CAP).

We have two immediate concerns:

1. the future decision making role within a new pool structure for Elected Member representatives of constituent Funds; and
2. the demands of fully addressing the criteria by 15 July.

1. Elected Member decision making within a new pool structure

The guidance issued in November 2015 made it clear that the selection of investment managers would no longer be expected to take place at Fund level, however your guidance is silent on Elected Member representatives from the constituent funds being party to a Pool's decision to select investment managers – indeed, it makes specific reference to the need to maintain democratic accountability, a desire which we all share deeply.

Your latest letter highlights your view that an entity regulated by the FCA is preferable and yet you also expect *“a single entity at the heart of any proposal, with responsibility for selecting and contracting with [investment] managers”* - and presumably with democratic accountability.

The ACCESS proposal includes the following aim:

“To facilitate participating funds to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.”

Perhaps you can advise us therefore how we achieve these objectives, as democratic accountability and fiduciary responsibility are regarded by all of us as vital.

Central to executing the fiduciary duty is meaningful influence and fully democratically accountable decision making within the Pools, including the selection of Investment Managers and governance of the pool. In the words of one of our signatories, not fulfilling that role could lead to circumstances whereby *“City institutions appoint other City institutions”*.

We question strongly whether such an end state was the original intention of the pooling initiative, and look forward to your clarification and further guidance on this matter in advance of our next meeting.

2. 15 July deadline

Your letter highlights that we need to *“develop a detailed submission that fully addresses the criteria by 15 July”*. We feel it is incumbent upon us to underline the high degree of ambition implicit within this requirement.

The evidence-based approach adopted by ACCESS will, by definition, entail reliance on dialogue with and researched information from third parties. In conjunction with two other pools, legal advice pertaining to pooling structures was sought from both Eversheds and Squire Paton Boggs. Both were received in March and officers from ACCESS Funds have spent a day at the offices of each legal firm. In addition, our officers have met with transition managers, a City institution capable of servicing an Authorised Contractual Scheme as well as extensive discussions with the London CIV and colleagues from project Brunel. In common with a number of pools, we also commissioned C.E.M. in order to benchmark our costs – the response from which we do not expect until the latter part of May.

We highlight these actions in order to demonstrate our serious engagement with this process; however, a number of the steps outlined above require further iteration back to the legal parties as our understanding develops. This, in turn, places pressure on our project plan – a summary of which was included in our February proposal and was well received.

Given that each of the constituent Funds will require the time necessary under Regulations to take the Pool and individual Fund submission through local governance arrangements, including the approval of the Administering Authorities, it is appropriate to highlight to you that the Government’s timetable is very ambitious.

Conclusion

Clearly, there remain a number of opportunities for reporting points to Government in the build up to the intended formal establishment of the pools in 2018 and we would welcome the opportunity to also discuss this with you in person at some stage.

We appreciate that your letter concludes with the suggestion of discussions with your officials during April. Our next meeting is scheduled for 22 April and will take place in London. This represents an ideal occasion for dialogue on both of the issues highlighted above, along with investment opportunities in infrastructure, where we also have concerns over the possibilities and expectations.

We look forward to hearing from you.

Yours sincerely,



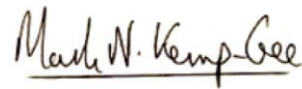
Cambridgeshire County Council



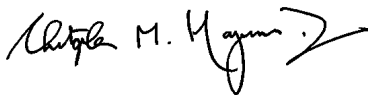
East Sussex County Council



Essex County Council



Hampshire County Council



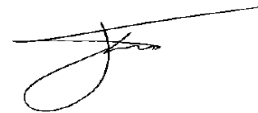
Hertfordshire County Council



Isle of Wight Council



Kent County Council




Norfolk County Council



Northamptonshire County Council



Suffolk County Council



West Sussex County Council

cc:

- All other proposed LGPS investment Pools
- Cllr Roger Philips, Chairman, LGPS Scheme Advisory Board
- Jeff Houston, Head of Pensions, Local Government Association

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Legal Structures

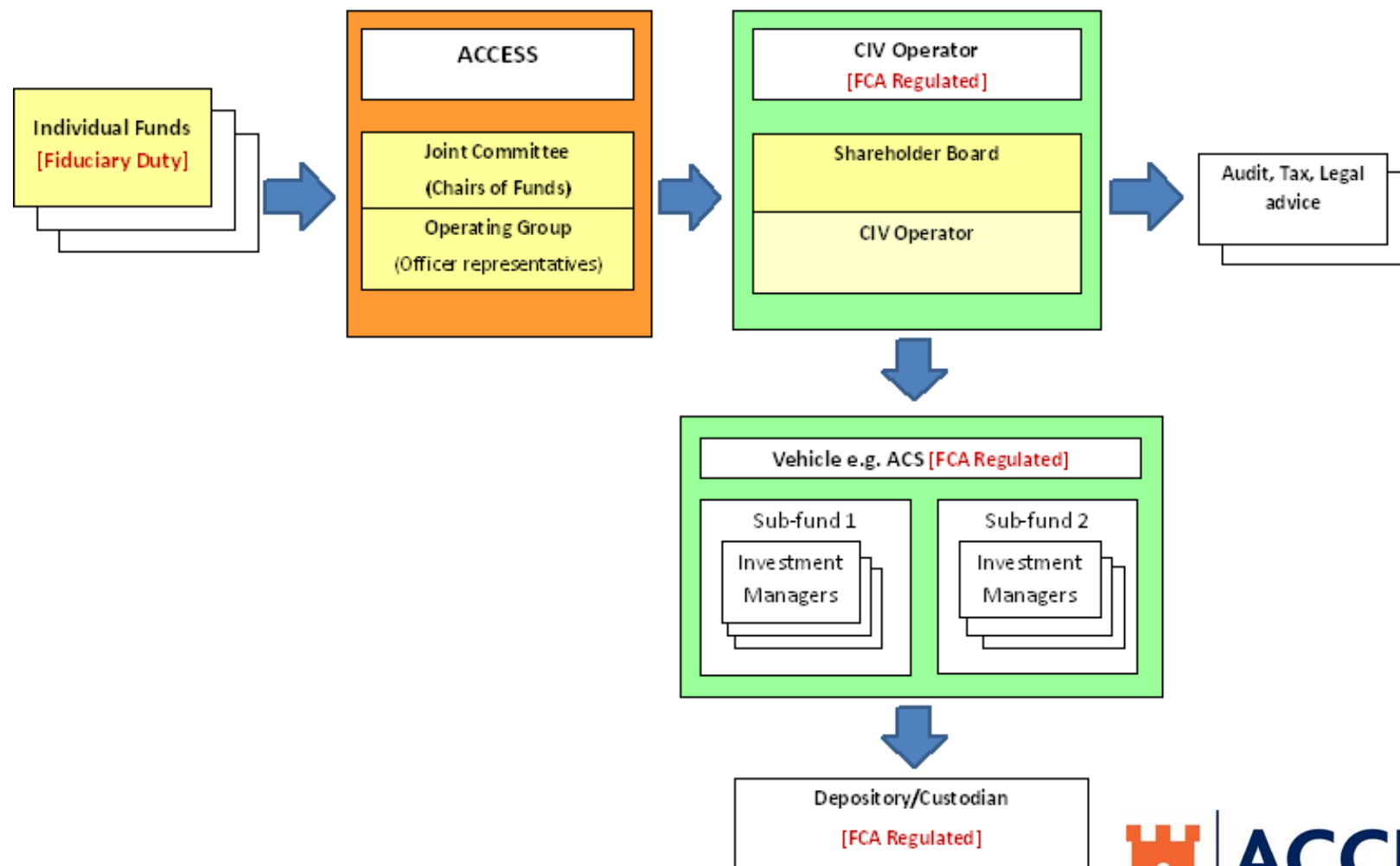
Objectives

- Confirm the understanding of the different legal models
- Confirm the governance and decision making arrangements for each model
- Agree the criteria that ACCESS should use in choosing its preferred option
- Agree a preferred option for inclusion in the draft July submission

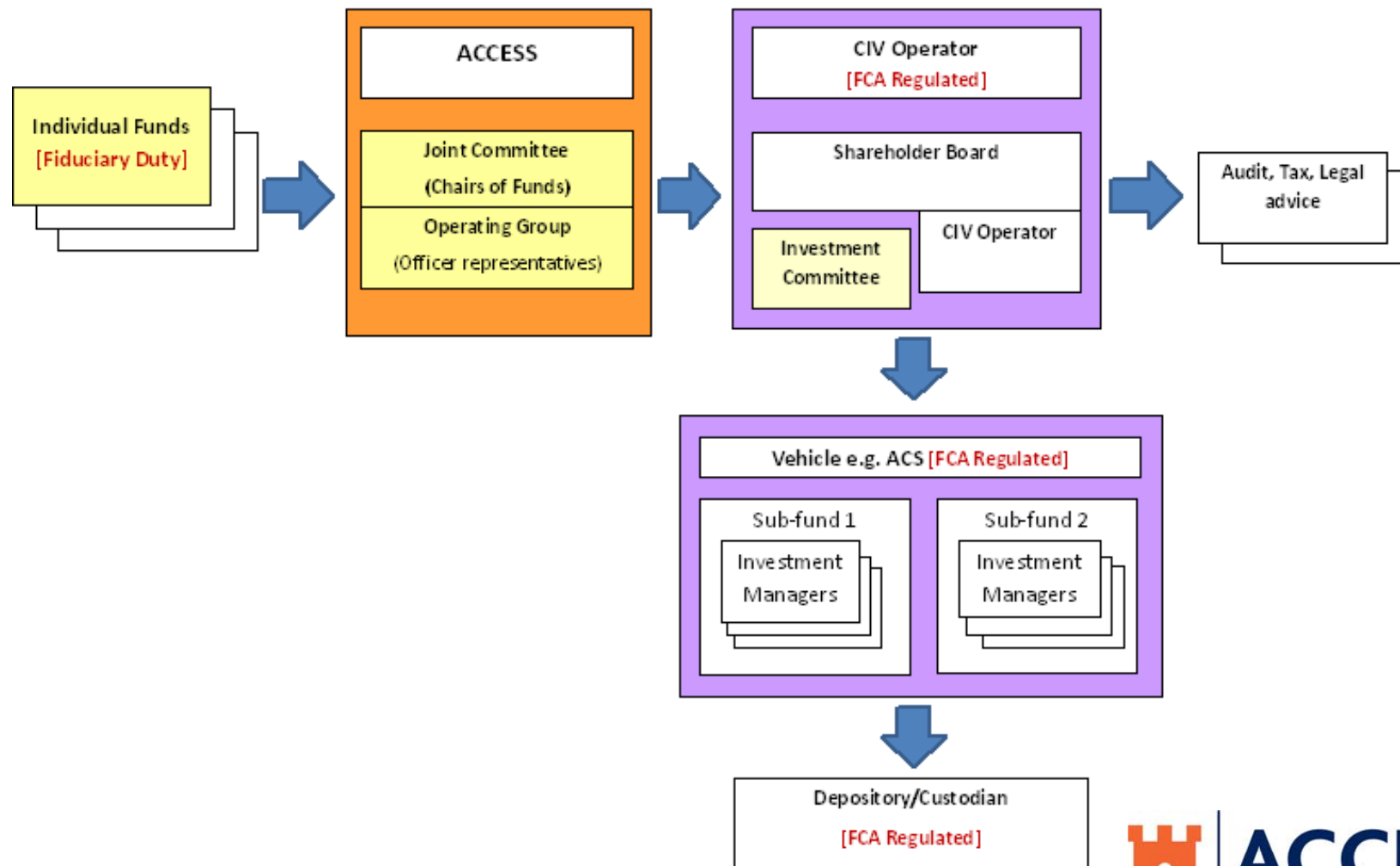
Options for Legal Structures

- 1a – Collective Investment Vehicle (CIV), own
- 1b – Collective Investment Vehicle (CIV), rent
- 2 – Collective Asset Pool (CAP)
- 3 – Hybrid, CAP with a Regulated Investment Manager (owned)

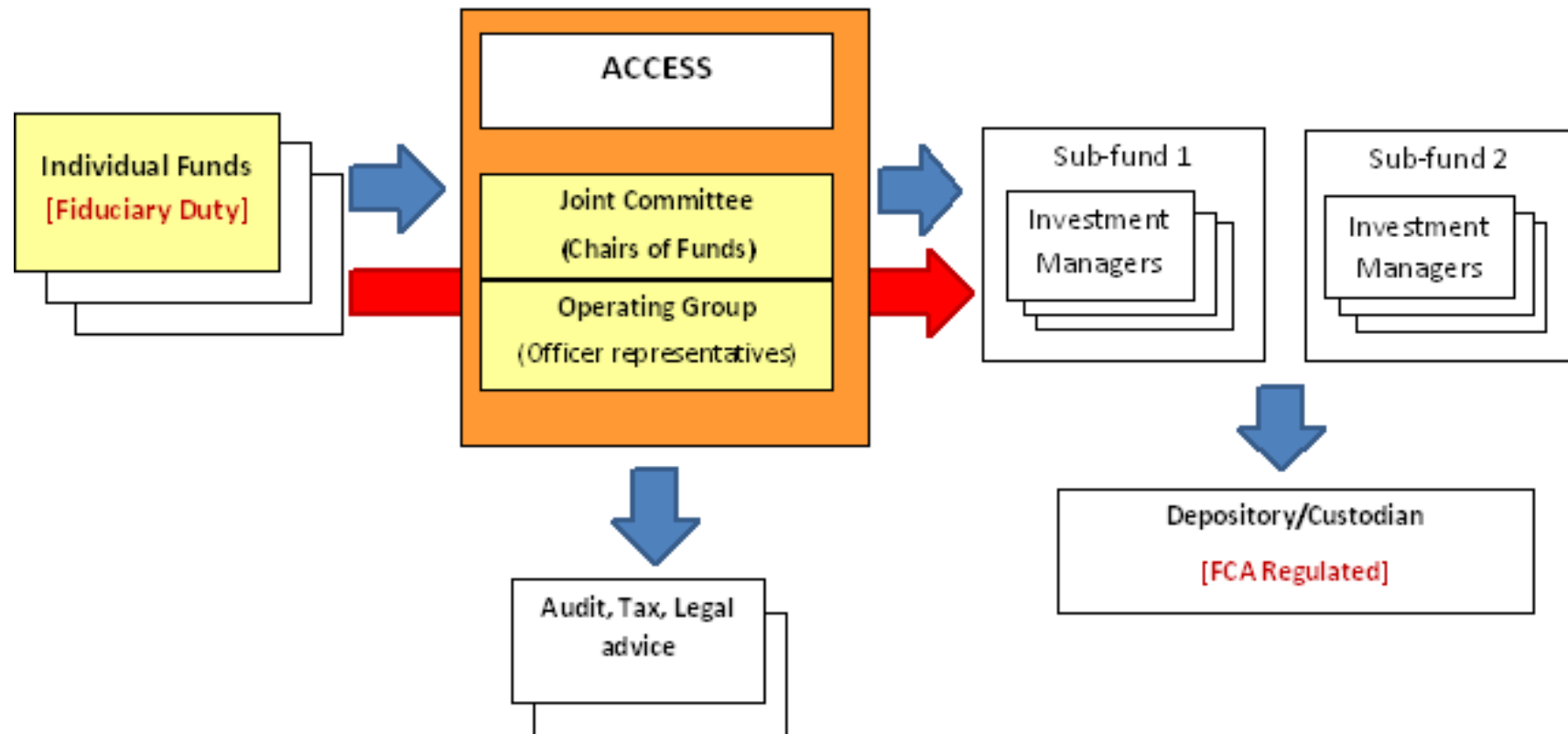
Option 1a – CIV (owned)



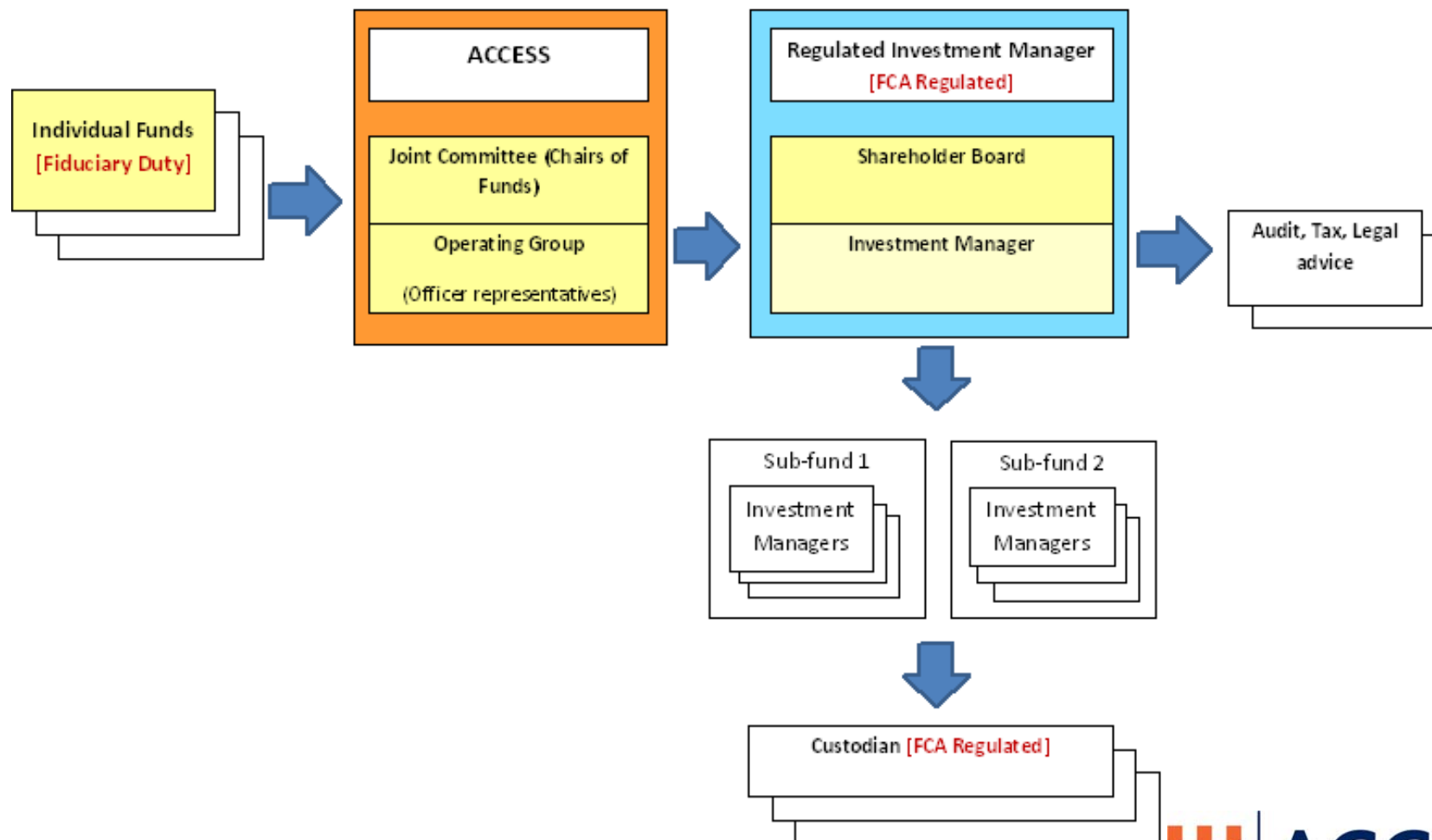
Option 1b – CIV (rent)



Option 2 – CAP



Option 3 – Hybrid Regulated Investment Manager (owned)

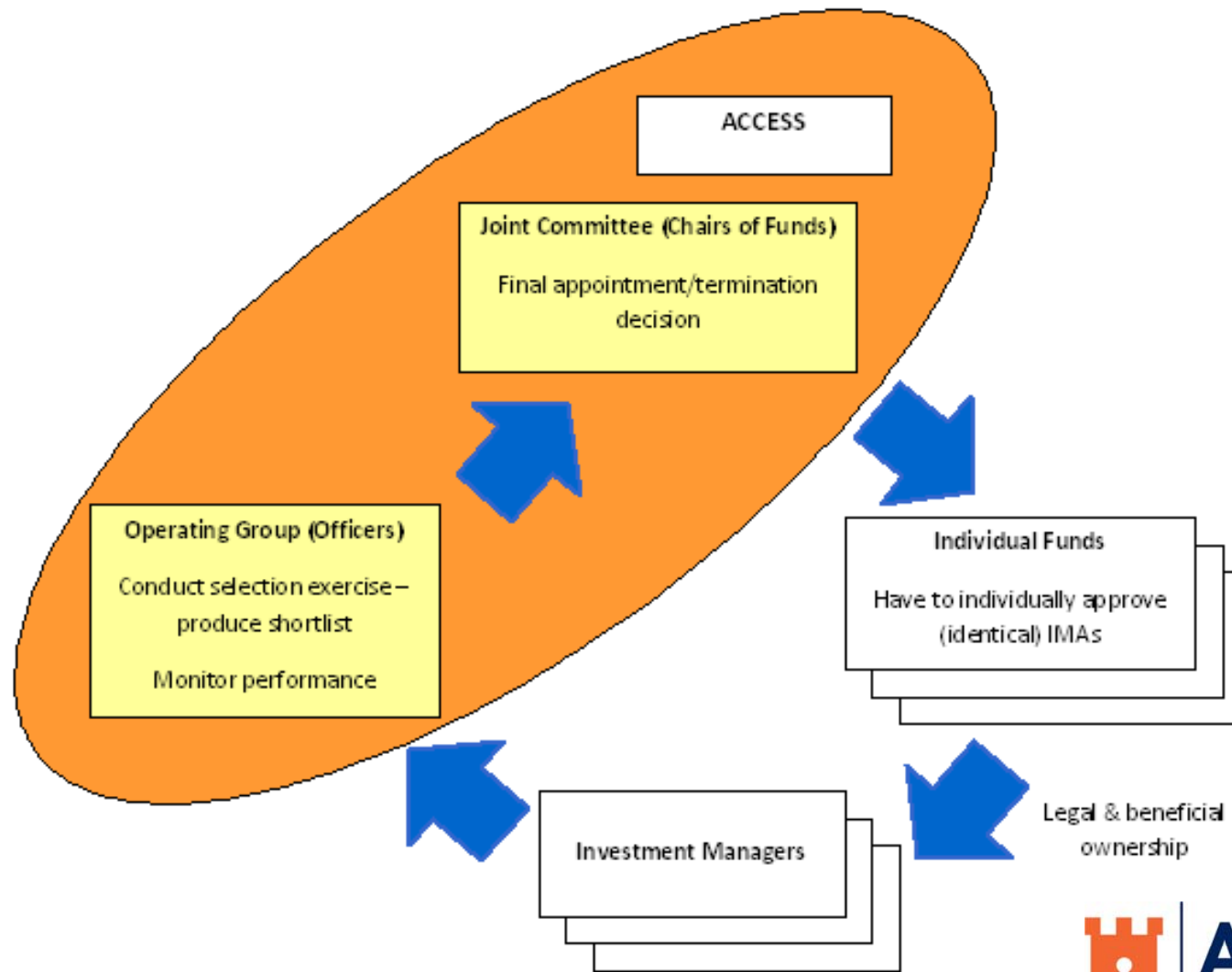


Governance Arrangements – Appointment of Investment Managers

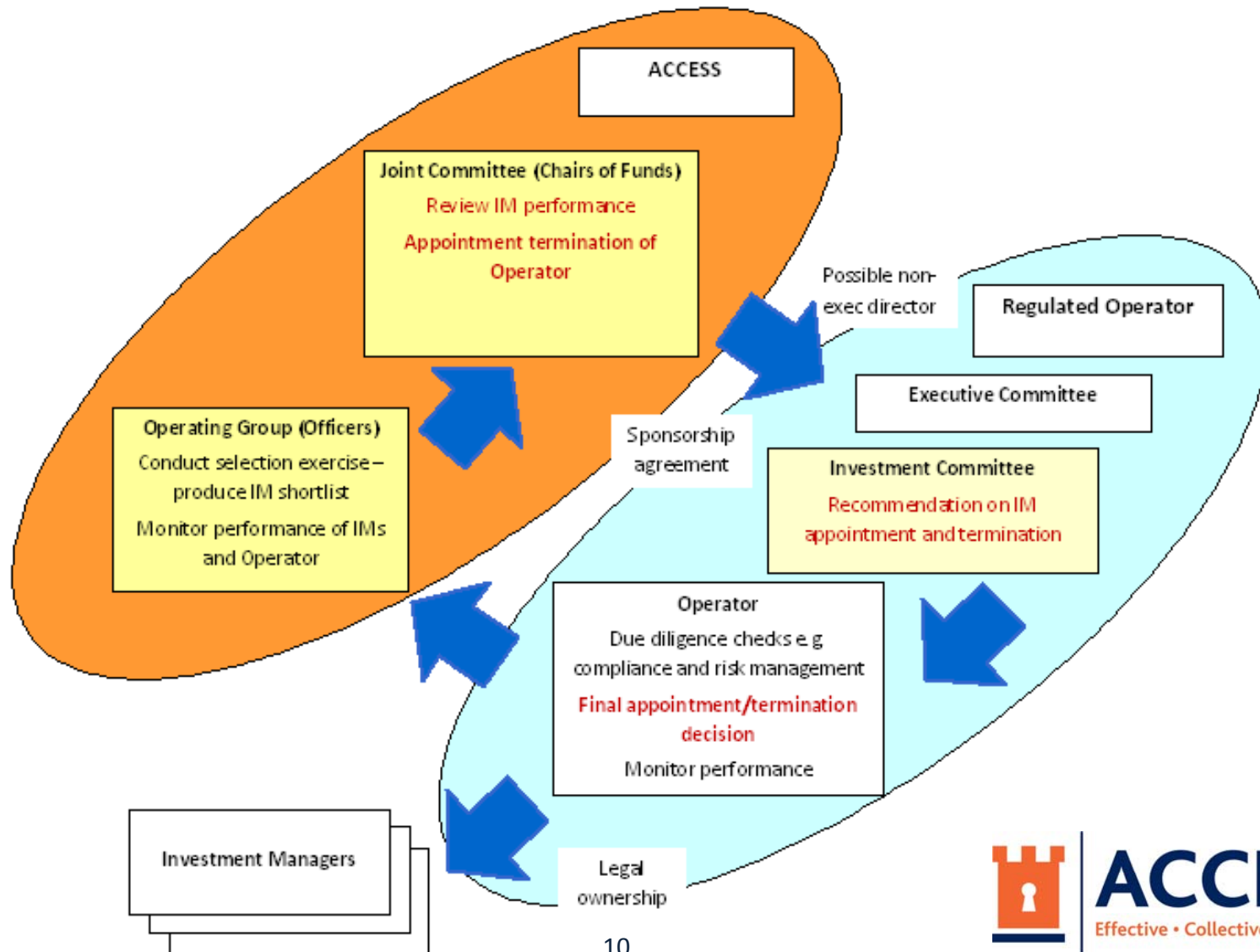
The Governance of each model will vary depending on each option, both in terms of regulatory responsibility and ownership:

- In a regulated model the legal responsibility for the appointment of investment managers rests with the regulated operator
- However, investors can exercise a significant degree of direction in the appointment
- The degree of control may be (and/or feel) different depending on whether the operator is owned or rented

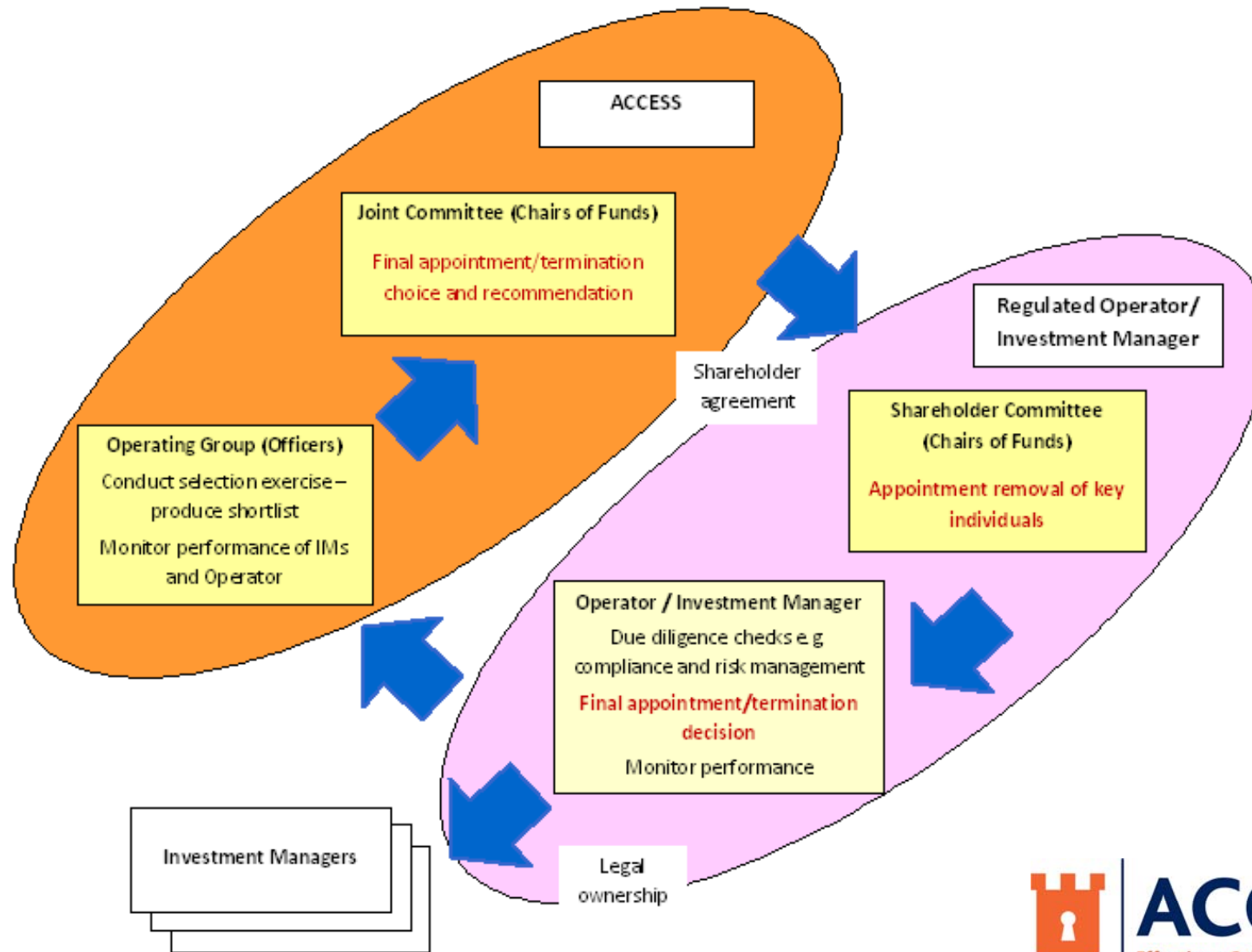
Governance - Option 2 CAP



Governance - Option 1b CIV rent



Governance - Option 1a or 3



Financial Services & Markets Act (FSMA)

Key Risks (1)

Decision making and advice – Investment decisions e.g. the selection of an investment manager, cannot be made on behalf of investors by an unregulated entity

- This is very difficult to mitigate for 11 Authorities working together
- To mitigate this each Authority would clearly need to make its own investment decision, which then makes it very hard to satisfy the Government's pooling criteria

Financial Services & Markets Act (FSMA)

Key Risks (2)

Collective Investment Schemes– if there is seen to be any sharing of the benefit of ownership, an unregulated CIS will be in breach of the regulations. This is an ongoing risk through the establishment, operation and winding up of a scheme.

- This can be mitigated through separate Investment Manager agreements and custody accounts.
- This could be removed if the Government were to grant an exemption for the LGPS, as it has for corporate schemes

Government's Requirements – November 2015 Criteria

- 'The Government expects that implementation of the investment strategy will be delegated to officers or the pool'
- 'Manager selection will need to be undertaken at the pool level'
- 'As a minimum, we would expect to see the selection of external fund managers and the implementation of investment strategy to be carried out at the pooled level'
- 'Formal mechanisms for pooling, such as collective investment vehicles, offer additional benefits to alternative arrangements, such as procurement frameworks'

Government's Requirements – Easter 2016 letter

‘The structure, standards and systems required for an entity regulated by the FCA provide substantial assurance. As a minimum I expect to see a single entity at the heart of any proposal, responsible for selecting and contracting with managers’

ACCESS' Objectives

1. Enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, **as economically as possible**.
2. Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
3. Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and **create the desired level of local decision making and control**.

ACCESS' Principles

1. The participating authorities will work collaboratively.
2. Participating authorities will have an equitable voice in governance.
3. **Decision making will be objective and evidence based.**
4. The pool will use professional resources as appropriate.
5. The risk management processes will be appropriate to the pool's scale, recognising it as one of the biggest pools of pension assets in the UK.
6. **The pool will avoid unnecessary complexity.**
7. **The pool will evolve its approach to meet changing needs and objectives.**
8. The pool will welcome innovation.
9. **The pool will be established and run economically, applying value for money considerations.**
10. The pool's costs will be shared equitably.
11. The pool is committed to collaboration with other pools where there is potential to maximise benefits.



Considerations – avoid unnecessary complexity

- Timescales involved to setup and start achieving savings
- Legal and regulatory processes to create a company and achieve necessary FCA approval
- Procurement process to buy-in a CIV operator

Considerations – established and run economically

- Established in Project Pool that both formal pooling (CIVs) and less formal arrangements should achieve the same levels of savings on Investment Managers fees
- Consider set-up and ongoing costs
- Regulatory capital for establishing FCA regulated entities (Options 1a and 3) must be borne by Administering Authorities, and cannot be borrowed from pension funds
- Withholding tax variations between vehicles and LGPS fund's own status, estimating the net difference is very difficult but this could be significant and further advice will be sought
- Cost to change beneficial ownership to a new entity – difficult to estimate the changes that would not otherwise be a result of consolidation, but could be significant and further advice will be sought

Considerations – potential for innovation

- Reflect that companies solely owned by the Authorities will be easier to change and influence
- Particularly significant if using a third party CIV Operator (Option 1b) there is a risk that the market is immature and suppliers will not have the necessary capacity or motivation to respond to customers
- Contracts with external suppliers will require a certain level of commitment and may be difficult or costly to change once implemented

Considerations – local decision making and control

- Regulated entities (Options 1a, 1b and 3) will have ultimate responsibility for the appointment of Investment Managers, but the pool can have meaningful influence
- An entity solely owned by the Authorities will have a different look and feel to an third party supplier, ultimately the Authorities, as shareholders, will control the key company appointments; but the only recourse is to remove the supplier and reappoint another company

Officers' Option Appraisal

	Avoid unnecessary complexity	Established and run economically	Potential for Innovation	Desired level of decision making and control	Legal and Regulatory Compliance Investment Decision Making	Collective Investment Scheme	Meet Government's pooling criteria
1 (a) CIV – Own	✗	✗✗✗	✓	✓	✓	✓	✓✓
1 (b) CIV – Rent	✓	✗	✗	✓	✓	✓	✓✓
2 CAP	✓✓	✓✓	✓	✓✓	✗	?	✗
3 Hybrid	✓	✓	✓✓	✓✓	✓	?	✓

Agree a proposed Legal Structure for ACCESS

- Members are asked to agree their preferred Legal Structure.
- This structure will form the basis of ACCESS draft July Submission.
- The July Submission will need to be approved by each Authority individually.

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East Sussex Pension Fund

Review of Investment Managers' Performance for First Quarter of 2016

Page 77



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For and on behalf of Hymans Robertson LLP
April 2016

Appendix 7

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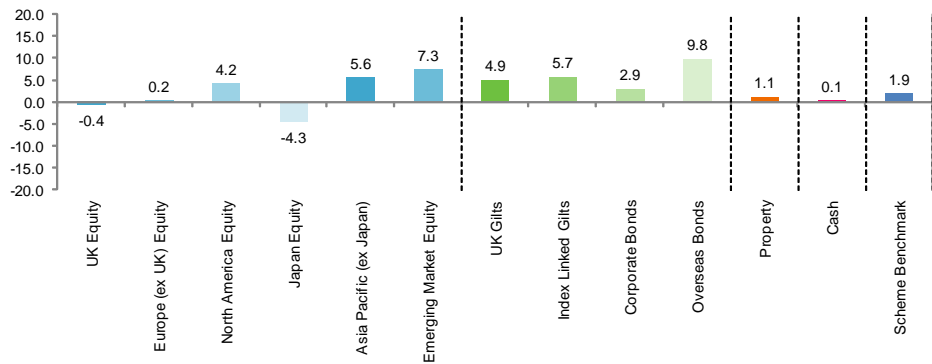
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile 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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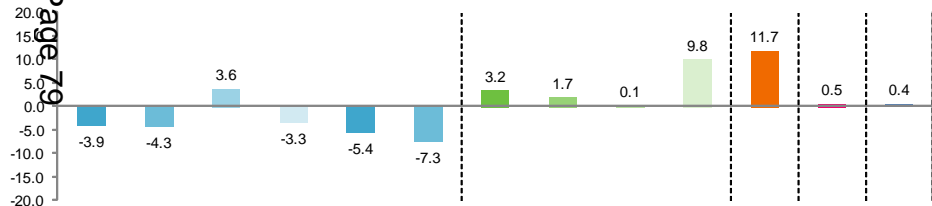
Historic Returns for World Market to 31 March 2016

Historic Returns - Chart 1 ^[1]

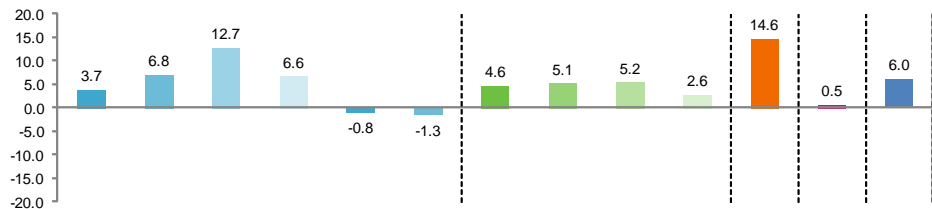
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Comment

It was a turbulent first six weeks for equity and credit markets. The FTSE All World index plummeted over 12%, before rebounding impressively to finish the quarter down 1.3%. As a result of continued weakness in sterling, returns to unhedged UK investors were around 4.3% higher. The defensive qualities of government bonds were in demand and they delivered positive returns over the period.

Investors' nervous start to 2016 reflected various global economic concerns such as the slowdown in China and the US, along with the continuing oil price collapse. This anxiety abated as the quarter wore on, with sentiment buoyed in part by some signs of stabilisation in China.

Once again, central bank action helped to calm nerves. The European Central Bank ('ECB') cut its overnight deposit rate from -0.3% p.a. to -0.4% p.a. The Bank of Japan surprised markets by following the ECB in cutting interest rates below zero. Despite further strength in the US labour market, the Federal Reserve left interest rates unchanged, citing risks posed by weaker global growth and financial market turmoil. Latest forecasts have been more cautious than before, suggesting that rates may rise by only 0.5% p.a. in 2016. In the UK, the latest Inflation Report from the Bank of England suggested a slower return to the 2% p.a. inflation target, further bolstering market conviction that UK interest rates will not be rising in the foreseeable future.

Key events during the quarter included:

Global Economy

- Japan followed Europe by cutting interest rates below zero; in the UK and US, rates were unchanged.
- The UK's current deficit reached a post-war high, widening to 7% of GDP in Q4 2015.
- Brent crude fell to a 12-year low of \$28 per barrel before rebounding to just under \$40 at quarter end.
- The Bank of England expects headline CPI inflation to stay below 1% p.a. throughout this year.
- China's PMI manufacturing index rose to above 50 in March, for the first time since July 2015.

Equities

- The strongest sectors relative to the FTSE All World Index were Utilities (+8.8%) and Telecommunications (+6.7%); the weakest were Health Care (-6.5%) and Financials (-5.3%).
- Emerging Markets outperformed their developed counterparts, reversing a little of the 30% underperformance of the last three years.

Bonds and currencies

- Sterling weakened against the euro, US dollar and yen.
- UK gilt yields fell (prices rose), with nominal yields falling further than real yields.

[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]

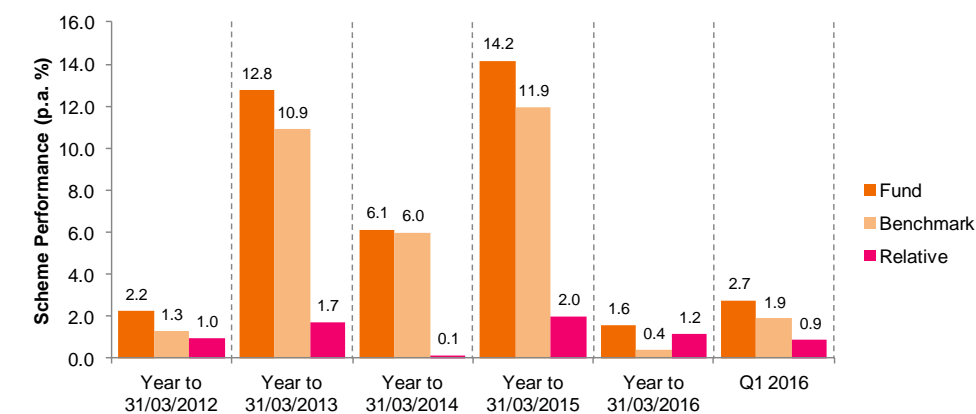
Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2015	Q1 2016			
Global Equity	1041.8	1079.3	38.9	38.0	0.9
UK Equity	262.2	261.2	9.4	12.0	-2.6
Fixed Interest	107.9	112.5	4.1	3.5	0.6
Index-Linked Gilts	138.3	147.3	5.3	5.0	0.3
Property	326.3	332.0	12.0	10.0	2.0
Infrastructure	45.5	49.5	1.8	2.0	-0.2
Private Equity	162.0	167.9	6.1	5.5	0.5
Absolute Return Funds	485.5	493.9	17.8	20.0	-2.2
Cash	53.7	55.6	2.0	0.0	2.0
UK Financing Fund	10.7	8.5	0.3	1.0	-0.7
Absolute Return Bonds	67.2	67.4	2.4	3.0	-0.6
Total Fund	2701.1	2775.1	100.0	100.0	

Fund performance [2]

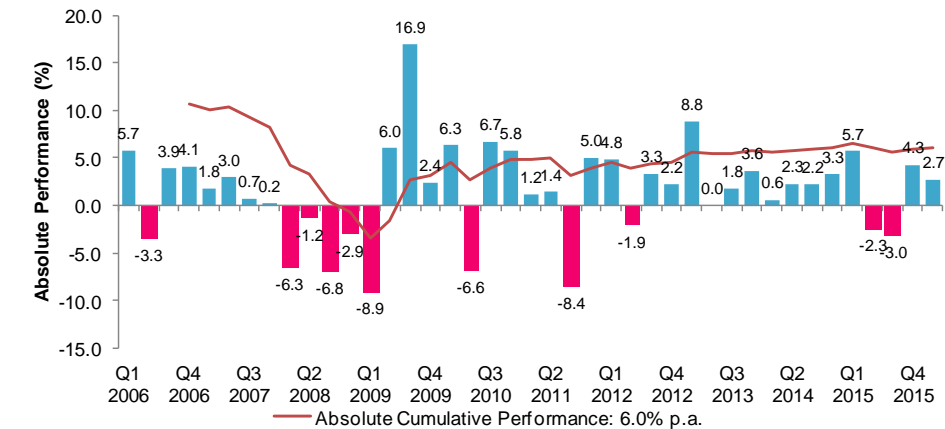
The Fund outperformed the aggregate benchmark during the first quarter of 2016, returning 2.7% in absolute terms. Over the 12 month period the Fund delivered a positive absolute return of 1.6% ahead of benchmark by 1.2%.

At a manager level, Longview's Global Equity and Newton's Absolute return fund outperformed over the quarter. However, this was partially offset by underperformance from Ruffer's Absolute Return fund.

Performance Summary [1]



Absolute Quarterly and Absolute Cumulative Performance [iii]



[1] The cash figure shown includes the cash balances held by managers (the asset class allocations are shown on a 'look-through' basis), [2] Total Fund return is estimated. Historical returns are backdated with WM figures.

Summary of Mandates

Manager Summary ^[1]

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>
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>

For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain

Summary Comment

LGIM and Newton announced some senior staff departures, however there were no changes to manager ratings over the first quarter of 2016. We will continue to monitor developments closely.

The Fund continues to be underweight to UK Equities and both the absolute return funds. Property and cash both remain overweight.

State Street (aka WM Company) has announced that they will no longer be providing performance measurement services for third party clients, i.e. non custody clients. The knock on impact of this announcement is that State Street have also confirmed that from end March they will stop universe production e.g. WM Local Authority Average etc. This means that they will no longer be producing any of their Universes or the associated analysis and research. State Street is currently looking at alternatives so that this valuable information remains available. We will keep you updated on any implications for the Fund.

Performance versus WM Local Authorities ^[2] ^[1]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	4.3	4.8	9.5	7.0
WM average Local Authority	4.5	3.9	8.9	7.0
Relative	-0.2	0.9	0.6	0.0

[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 31 December 2015.

Source: [1] WM/State Street

Manager Structure

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2015	Q1 2016			
L&G - Global Equities	402.8	414.9	15.0	15.5	-0.5
Longview - Global Equity	170.6	180.9	6.5	5.0	1.5
State Street - Fundamental Indexation	468.4	483.5	17.4	17.5	-0.1
L&G - UK Equities	262.2	261.2	9.4	12.0	-2.6
Newton - Absolute Return	243.8	253.6	9.1	10.0	-0.9
Ruffer - Absolute Return	241.7	240.3	8.7	10.0	-1.3
L&G - 5yr ILG	138.3	147.3	5.3	5.0	0.3
M&G - Bonds	175.1	180.0	6.5	6.5	-0.0
Schroder - Property	329.1	333.3	12.0	10.0	2.0
M&G - Infrastructure Fund	25.2	28.7	1.0	1.0	0.0
UBS - Infrastructure	20.2	20.7	0.7	1.0	-0.3
Adams Street - Private Equity	85.0	88.6	3.2	2.8	0.4
HarbourVest - Private Equity	77.0	79.3	2.9	2.8	0.1
M&G - UK Financing Fund	10.7	8.5	0.3	1.0	-0.7
Cash account	50.9	54.3	2.0	0.0	2.0
Total	2701.1	2775.1	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	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	2.9 2.9	6.2 2.8	3.2 3.1	-0.4 -0.4	4.1 0.1	-0.4 0.1	6.5 6.5	2.9 2.6	1.2 1.1	2.7 1.9
	Relative	0.0	3.4	0.0	0.0	4.0	-0.5	0.0	0.3	0.1	0.9
12 Months (%)	Absolute Benchmark	-0.4 -0.5	4.2 -1.2	-3.2 -3.3	-3.8 -3.9	1.8 0.5	-6.5 0.5	1.9 1.9	-0.0 -0.0	10.9 10.6	1.6 0.4
	Relative	0.1	5.5	0.0	0.1	1.3	-7.0	0.0	0.0	0.3	1.2
3 Years (% p.a.)	Absolute Benchmark	8.2 8.1	16.6 7.8 8.2	5.5 5.5	3.8 3.7	3.5 0.5	1.6 0.5	1.8 1.8	4.9 3.3	14.0 13.0	7.1 6.0
	Relative	0.1		0.0	0.1	3.0	1.1	0.0	1.5	0.9	1.1
10 Years (% p.a.)	Absolute Benchmark	8.8 8.8	N/A N/A	N/A N/A	4.6 4.5	5.2 0.6	4.5 0.6	N/A N/A	5.8 4.2	9.4 8.9	5.6 5.0
	Relative	0.1	N/A	N/A	0.2	4.6	4.0	N/A	1.6	0.4	0.6

[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.

Source: [i] DataStream, Hymans Robertson



Performance Summary (net of fees)

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

		L&G - 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	2.9 2.9	6.1 2.8	3.1 3.1	-0.4 -0.4	4.0 0.1	-0.6 0.1	6.4 6.5	2.8 2.6	1.1 1.1	2.7 1.9
	Relative	0.0	3.2	0.0	0.0	3.8	-0.7	-0.1	0.2	0.0	0.8
12 Months (%)	Absolute Benchmark	-0.5 -0.5	3.6 -1.2	-3.3 -3.3	-3.8 -3.9	1.2 0.5	-7.3 0.5	1.5 1.9	-0.4 -0.0	10.6 10.6	1.2 0.4
	Relative	0.0	4.8	0.0	0.1	0.7	-7.8	-0.3	-0.4	0.0	0.8
3 Years (% p.a.)	Absolute Benchmark	8.1 8.1	16.0 7.8 7.6	5.4 5.5	3.7 3.7	2.8 0.5	0.8 0.5	1.4 1.8	4.5 3.3	13.7 13.0	6.8 6.0
	Relative	0.0	7.6	-0.1	0.1	2.4	0.3	-0.3	1.1	0.7	0.7
10 Years (% p.a.)	Absolute Benchmark	8.7 8.8	N/A N/A	N/A N/A	4.6 4.5	4.6 0.6	3.7 0.6	N/A N/A	5.6 4.2	9.1 8.9	5.4 5.0
	Relative	0.0	N/A	N/A	0.1	4.0	3.2	N/A	1.4	0.2	0.5

[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.

Source: [i] Fund Manager, Hymans Robertson

Legal and General - UK and Global Equities

HR View Comment & Rating



During the quarter LGIM announced that Simon Thompson, Chief Operating Officer ('COO') was leaving the firm to take a sabbatical from corporate life and focus on his family and other interests. His responsibilities included Investment Operations, Trading and IT functions. Robert Moore, Chief Executive Officer of LGIM America has previous COO experience, and will take on Thompson's role in addition to his existing responsibilities. This does seem a potential 'stretch' for Moore but at this stage we see no reason to expect a diminution in LGIM's index tracking capability.

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 broadly in line with their benchmarks over the first quarter of 2016, as expected from passive mandates.

The UK equity fund delivered a negative absolute return of -0.4%, however long term fund performance remains positive and broadly in line with the benchmark at both 3 years and since the mandate's inception. UK equities have continued to lag Global markets.

The Global equity fund delivered a positive absolute return of 2.9%, broadly in line with the benchmark. Over the 3 year period, fund performance remains positive and broadly in line with the FTSE All World Index.

L&G UK Fund Performance [i]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.4	-3.8	3.8	4.6
Benchmark	-0.4	-3.9	3.7	4.5
Relative	0.0	0.1	0.1	0.2

* Inception date 21 November 2007

L&G Global Fund Performance [iii]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.9	-0.4	8.2	8.8
Benchmark	3.0	-0.4	8.1	8.8
Relative	0.0	0.0	0.1	0.0

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

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

Legal and General - 5 year ILG

HR View Comment & Rating



During the quarter LGIM announced that Simon Thompson, Chief Operating Officer ('COO') was leaving the firm to take a sabbatical from corporate life and focus on his family and other interests. His responsibilities included Investment Operations, Trading and IT functions. Robert Moore, Chief Executive Officer of LGIM America has previous COO experience, and will take on Thompson's role in addition to his existing responsibilities. This does seem a potential 'stretch' for Moore but at this stage we see no reason to expect a diminution in LGIM's index tracking capability.

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

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	6.5	1.9	1.8
Benchmark	6.5	1.9	1.8
Relative	0.0	0.0	0.0

* Inception date 11 Mar 2015.

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.

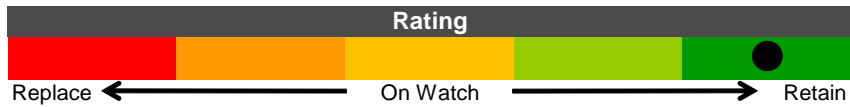
The fund delivered a positive absolute return of 6.5% over the quarter. Significant volatility in equity markets at the beginning of the year resulted in investors favouring the defensive qualities of government bonds, driving prices higher.

Source: [i] DataStream, Hymans Robertson



State Street - Fundamental Indexation

HR View Comment & Rating



There were no significant business changes to report over the quarter to 31 March 2016.

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

Performance Summary - Table

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	3.2	-3.2	5.5
Benchmark	3.1	-3.3	5.5
Relative	0.0	0.0	-0.0

* Inception date 06 Aug 2013.

Performance Attribution Comment

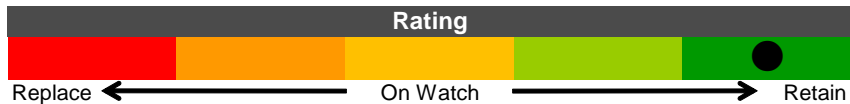
Over the quarter, State Street's Fundamental Indexation Fund performed marginally ahead of its benchmark, returning a positive absolute value of 3.2%. The fund remains in line with the benchmark over the longer term.

RAFI performed broadly in line with market cap-weighted global equities within the RAFI index. Overweights to Energy, Materials and an underweight to Health Care were positive contributors, but were off-set by overweights to Banks, Insurance and Japan and an underweight to US equities relative to the market cap index.



Longview - Global Equity

HR View Comment & Rating



There were no significant changes to report over the quarter to 31 March 2016.

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

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Performance Attribution Comment

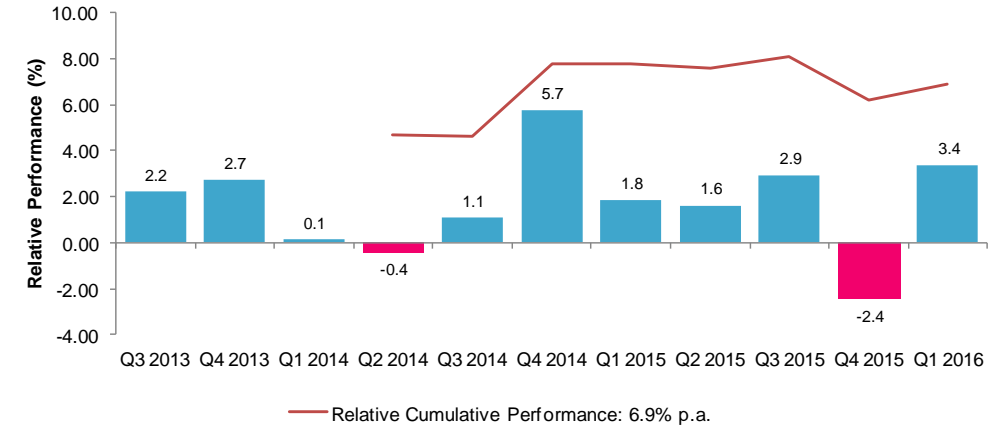
During a volatile quarter for equities, Longview's global equity mandate significantly outperformed the benchmark by 3.4%, delivering an absolute return of 6.2%. Longer term performance also remains ahead of benchmark.

Longview's stock selection within the Industrials and Healthcare sectors was the biggest contributor to overall performance, whilst overweight allocations to these sectors detracted from performance. Strong end of year financial reports boosted share price for both WW Grainger (a large US industrial distributor) and hospital company HCA. Both companies demonstrated above expected growth and return figures, diminishing previous performance concerns.

Zero allocation to the Energy and Utilities sectors proved detrimental to performance over the quarter, as oil prices rebounded slightly towards the end of the quarter. The energy sector continues to remain volatile as supply outstrips demand. At a stock level, Delphi Automotive and Continental underperformed due to concerns surrounding a potential global slowdown in the car market.

Longview are confident that there remains good opportunities within the market to buy stocks at reasonable prices where earnings have the capacity to grow, and are focusing on this going forward.

Relative Quarterly and Relative Cumulative Performance [i]



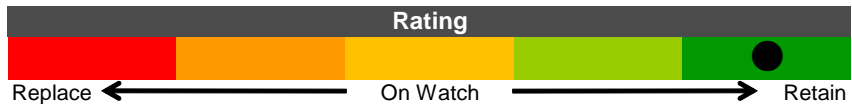
Performance Summary to 31 March 2016 [ii]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	6.2	4.2	16.6
Benchmark	2.8	-1.2	7.8
Relative	3.4	5.5	8.2

* Inception date 16 Apr 2013.

Ruffer - Absolute Return

HR View Comment & Rating



We rate Ruffer as '5 - Preferred Manager'. We are confident in Ruffer's abilities as an absolute return manager. The success of the firm's approach is dependent on its ability to construct portfolios which can outperform cash, regardless of the market direction – which they have been successful in achieving since inception and in particular during the difficult period of 2008/09. It was a challenging period for the strategy last year and the team have added portfolio protection in the form of illiquid credit tail risk strategies. We continue to support the Ruffer approach to absolute return investing but are mindful of style divergence.

There were no significant business changes over the quarter to end of March 2016.

Performance Attribution Comment

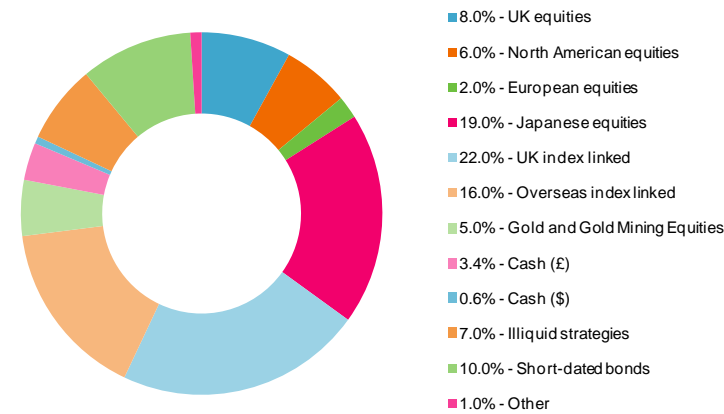
The Ruffer Absolute Return Fund underperformed its benchmark over the quarter, returning -0.4% in absolute terms. The Fund has underperformed the benchmark over the year, but remains ahead over 3 years and since inception.

Ruffer hold a significant proportion (c20%) of Japanese equities in their portfolio, this position was a significant detractor to the fund's performance over the first quarter of 2016. Japan was the worst performing global market over the quarter (the Topix returned -12% over the quarter in local currency terms), despite the Japanese central bank's attempts to stimulate economic growth by cutting short term interest rates to negative levels.

The mandate's defensive allocation to index linked bonds and gold equities partially offset negative returns as yields fell further, driving prices upwards. The price of gold rose 16% due to increased demand and the US dollar depreciating.

Ruffer have failed to achieve their capital preservation objective over the 12 month period. This was mainly driven by the large losses experienced in Q3 of last year. However, Ruffer remain reassured that the portfolio stood up to the pressures of volatility better this quarter than in Q3.

Asset Allocation



Performance Summary to 31 March 2016

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.4	-6.5	1.6	4.5
Benchmark	0.1	0.5	0.5	0.6
Relative	-0.5	-7.0	1.1	4.0

* Inception date 06 May 2010.

Newton - Absolute Return

HR View Comment & Rating



Newton's Real Return Fund is an unconstrained multi-asset strategy that seeks to generate return through both dynamic asset allocation and security-specific selection, based on the firm's long-established thematic framework. In Q4 2015 Newton announced the departure of James Harries, the alternate lead manager for the strategy after Iain Stewart, the lead portfolio manager. Suzanne Hutchins, one of the senior investment managers in the team, was to take over Harries' responsibilities. In Q1 2016 we met with Hutchins, who is now responsible for chairing the Real Return strategy meetings. She highlighted that the approach to building the portfolio is very bottom up and draws on ideas across the team as well as the wider Newton firm. In our view we do not think that Harries' departure warrants a downgrade of our manager rating, although we continue to monitor developments closely.

We retain our '5 - Preferred manager' rating.

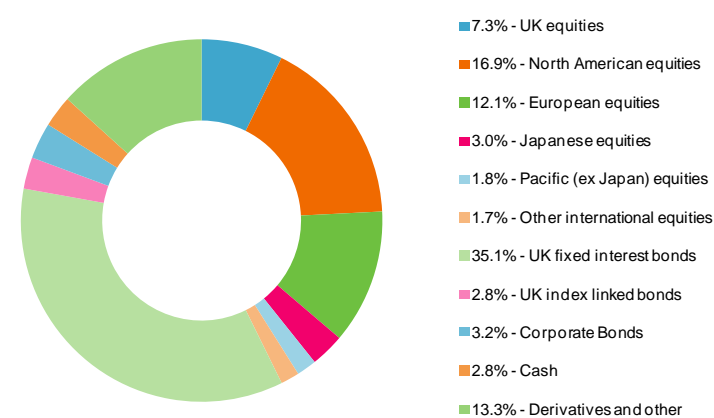
Performance Attribution Comment

Over the quarter the Real Return Fund returned 4.1% in absolute terms, ahead of the LIBOR +4% target and equity markets in general. Over the longer periods considered the Fund is now ahead of its target.

Newton's defensive assets helped to offset losses from equity market volatility over the quarter, with the allocations to gold and government bonds providing a positive contribution to performance. At a stock level, information and software services provider Wolters Kluwer was a top performing asset for the fund after successfully transitioning their business to focus on digital products. Exposure to infrastructure and renewable energy assets also had a positive impact on performance.

Newton's equity protection strategy contributed a small underperformance as equity markets stabilised towards the end of the quarter. This offset the positive impact of the fund's direct equity holdings.

Asset Allocation ^[1] ^[ii]



Performance Summary to 31 March 2016 ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	4.1	1.8	3.5	5.2
Benchmark	0.1	0.5	0.5	0.6
Relative	4.0	1.3	3.0	4.6

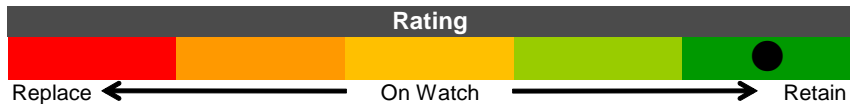
* Inception date 06 May 2010.

[1] The Fund maintains a high level of derivatives protection. On a notional basis, 25% of the Fund's equity positions are 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 March 2016.

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

Performance Attribution Comment

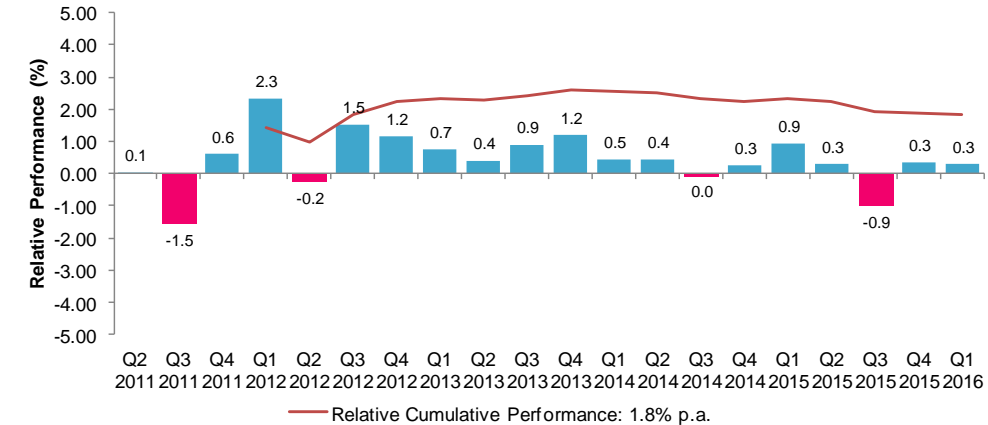
M&G does not allocate between the corporate bonds and the absolute return bonds which it manages for the Fund. We have therefore provided performance estimates based on the sizes of the allocation to each. The current allocation of the M&G bond mandate is c.60% to the traditional portfolio and c.40%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

The Alpha Opportunities fund delivered a positive absolute return of 0.5% over the quarter outperforming the LIBOR benchmark. The Corporate Fund also delivered a positive absolute return of 4.3% slightly ahead of its benchmark.

Central banks responded to market volatility in a variety of ways. The European Central bank cut interest rates in conjunction with additional easing measures and the Fed announced a cautious view on further interest rate increases. This action saw an increase in risk appetite, and corporate bond prices strengthened, as demand increased towards the end of the quarter.

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

Relative Quarterly and Relative Cumulative Performance



Performance Summary to 31 March 2016 ^[1] ^[2]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	2.9	-0.0	4.9	6.5
Benchmark	2.6	-0.0	3.3	4.6
Relative	0.3	-0.0	1.5	1.8

[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: [1] DataStream, Hymans Robertson

M&G - Bonds - Performance Attribution

Performance Attribution Performance [i]

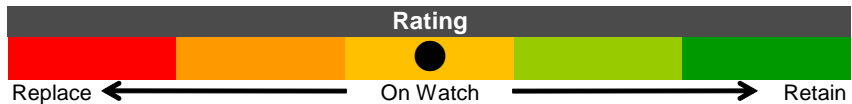
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute	4.3	0.5	2.9
	Benchmark	4.1	0.1	2.6
	Relative	0.3	0.4	0.3
12 Months (%)	Absolute	-0.3	0.4	-0.0
	Benchmark	-0.4	0.5	-0.0
	Relative	0.1	-0.1	0.0
3 Years (% p.a.)	Absolute	6.2	2.9	4.9
	Benchmark	5.8	0.5	3.3
	Relative	0.4	2.4	1.5
5 Years (% p.a.)	Absolute	8.7	3.5	6.5
	Benchmark	8.1	0.5	4.6
	Relative	0.5	2.9	1.8

Source: [i] DataStream, Hymans Robertson



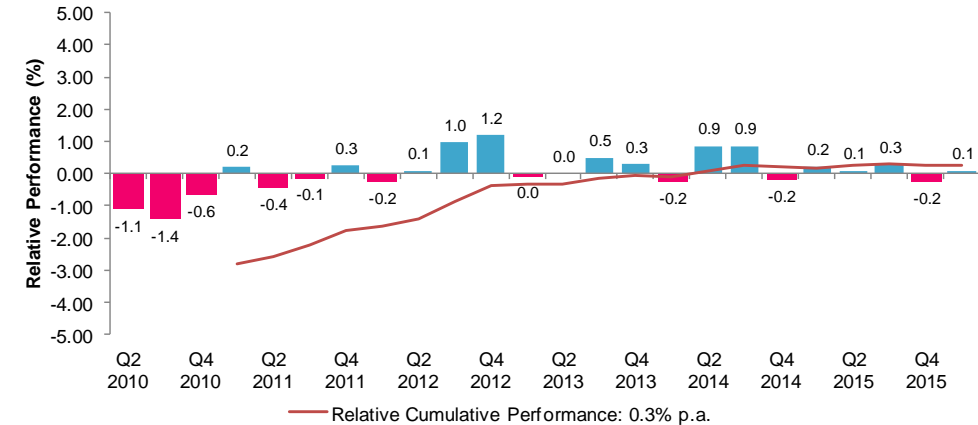
Schroders - Property

HR View Comment & Rating



During the quarter, Schroder RECaP announced the recruitment of Naomi Green who will join the firm in April 2016. This will complete the restaffing of the RECaP team following the departures experienced in the second half of 2015. The rating of Schroder RECaP currently remains at '3 - On Watch' although our review of Schroder will be completed during Q2, 2016.

Relative Quarterly and Relative Cumulative Performance



Performance Attribution Comment

Over the quarter, property markets in general, generated a positive return (c1.1%). In line with the trend over the past 12 months, Industrial and Office sector strongly outperformed Retail. At time of writing manager specific performance reporting was not available.

Performance Summary to 31 March 2016

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.2	10.9	14.0	9.4
Benchmark	1.1	10.6	13.0	8.9
Relative	0.1	0.3	0.9	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		-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	12.0	-2.6	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5		-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	5.0		-	-	-	-	-	-	100.0	0.0	-	-
UK Property	10.0		-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0	-0.2	-	-	-	-	-	-	-	-	-	-
Private Equity	5.5		100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-2.2	-	-	-	-	-	-	-	-	-	-
Cash	0.0		-	-	100.0	0.0	-	-	-	-	-	-
UK Financing Fund	1.0	-0.7	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	3.0	-0.6	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	2.8	0.4	0.0	2.0	2.8	0.1	5.0	0.3	15.5	-0.5



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		0.0	-		-	-		-	-		-
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	-		-	-		-	-		-	-		-	-		-	-		-
Proportion of Total Assets	12.0	-2.6		5.0		1.5	6.5		0.0	1.0		0.0	1.0	-0.7		10.0	-0.9	

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		-0.4	-		-	-		-
Infrastructure	-		-	-		-	-		-	100.0		0.0
Private Equity	-		-	-		-	-		-	-		-
Absolute Return Funds	100.0		0.0	-		-	-		-	-		-
Cash	-		-	0.0		0.4	-		-	-		-
UK Financing Fund	-		-	-		-	-		-	-		-
Absolute Return Bonds	-		-	-		-	-		-	-		-
Proportion of Total Assets	10.0		-1.3	10.0		2.0	17.5		-0.1	1.0		-0.3

Benchmarks Summary Comment

The main points to note from this table are:

- The L&G global equity mandate is 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.



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Current Investment Arrangements

Addressee

This note is addressed to the Officers of the East Sussex Pension Fund (the "Fund"). Its purpose is to provide asset allocation information for the annual report and accounts for the Fund, as at 31 March 2016. It has not been prepared for use for any other purpose. The paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent.

Asset allocation

Set out below is the Fund's strategic target and actual allocations at the beginning and end of the 2015/2016 financial year.

Mandate	Value (£m)	Proportion (%)		Value (£m)	Proportion (%)	
	Q1 2015	Actual	Target	Q1 2016	Actual	Target
L&G - Global Equities	216.4	7.9%	8.0%	414.9	15.0%	15.5%
Lazard - Global Equities	410.4	15.0%	15.0%	0.0	0.0%	0.0%
Longview - Global Equity	174.8	6.4%	5.0%	180.9	6.5%	5.0%
State Street - Fundamental Indexation	291.2	10.6%	10.0%	483.5	17.4%	17.5%
L&G - UK Equities	271.6	9.9%	12.0%	261.2	9.4%	12.0%
Newton - Absolute Return	250.1	9.1%	10.0%	253.6	9.1%	10.0%
Ruffer - Absolute Return	257.1	9.4%	10.0%	240.3	8.7%	10.0%
L&G - 5yr ILG	144.6	5.3%	5.0%	147.3	5.3%	5.0%
M&G - Bonds	180.8	6.6%	6.5%	180.0	6.5%	6.5%
Schroder - Property	300.5	11.0%	10.0%	333.3	12.0%	10.0%
M&G - Infrastructure Fund	33.5	1.2%	1.0%	28.7	1.0%	1.0%
UBS - Infrastructure	22.1	0.8%	1.0%	20.7	0.8%	1.0%
Adams Street - Private Equity	83.3	3.0%	2.8%	88.6	3.2%	2.8%
HarbourVest - Private Equity	70.0	2.6%	2.8%	79.3	2.9%	2.8%
M&G - UK Financing Fund	10.7	0.4%	1.0%	8.5	0.3%	1.0%
Cash account	25.4	0.9%	0.0%	54.3	2.0%	0.0%
Total	2742.4	100.0%	100.0%	2775.1	100.0%	100.0%

Asset Class	Value (£m)	Proportion (%)		Q1 2016	Proportion (%)	
	Q1 2015	Actual	Target		Actual	Target
Global Equity	1080.9	39.4%	38.0%	1079.3	38.9%	38.0%
UK Equity	271.6	9.9%	12.0%	261.2	9.4%	12.0%
Fixed Interest	113.1	4.1%	3.5%	112.5	4.1%	3.5%
Index-Linked Gilts	144.6	5.3%	5.0%	147.3	5.3%	5.0%
Property	293.9	10.7%	10.0%	332.0	12.0%	10.0%
Infrastructure	55.6	2.0%	2.0%	49.5	1.8%	2.0%
Private Equity	153.3	5.6%	5.5%	167.9	6.1%	5.5%
Absolute Return Funds	507.2	18.5%	20.0%	493.9	17.8%	20.0%
Cash	43.9	1.6%	0.0%	55.6	2.0%	0.0%
UK Financing Fund	10.7	0.4%	1.0%	8.5	0.3%	1.0%
Absolute Return Bonds	67.7	2.5%	3.0%	67.4	2.4%	3.0%
Total	2742.4	100.0%	100.0%	2775.1	100.0	100.0

HYMANS ROBERTSON LLP

During the third quarter the Committee agreed to terminate the Lazard mandate, and the funds were reinvested equally between the pre-existing Legal and General and State Street passive equity mandates.

Fund performance

Actual and benchmark performance for each of the Fund's mandates is provided in the table below, over 12 months 3 years and 5 years. The Fund's private equity and infrastructure mandates have not been included as State Street announced at the start of 2016 that they will no longer be providing performance measurement services for third party clients.

Mandate	1 year			3 year (p.a.)			5 year (p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
L&G - Global Equities	-0.4%	-0.5%	0.1%	8.2%	8.1%	0.1%	8.2%	8.1%	0.1%
Longview - Global Equity	4.2%	-1.2%	5.5%	N/A	N/A	N/A	N/A	N/A	N/A
State Street - Fundamental Indexation	-3.3%	-3.3%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A
L&G - UK Equities	-3.8%	-3.9%	0.1%	3.8%	3.7%	0.1%	5.8%	5.7%	0.1%
Newton - Absolute Return	1.8%	0.5%	1.3%	3.5%	0.5%	3.0%	3.4%	0.5%	2.9%
Ruffer - Absolute Return	-6.6%	0.5%	-7.0%	1.6%	0.5%	1.1%	3.7%	0.5%	3.2%
L&G - 5yr ILG	1.9%	1.9%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A
M&G - Bonds	0.0%	0.0%	0.0%	4.9%	3.4%	1.5%	6.5%	4.6%	1.8%
Schroder - Property	10.9%	10.6%	0.3%	14.0%	13.0%	0.9%	10.0%	9.1%	0.9%

Prepared by:-

William Marshall - Partner

Emma Garrett – Investment Analyst

April 2016

For and on behalf of Hymans Robertson LLP

Report & Accounts - CIPFA risk assessment

Addressee

This note is addressed to the Officers and Pension Committee (“the Committee”) of the East Sussex Pension Fund (“the Fund”). Its purpose is to provide risk volatility numbers for the annual report and accounts for the Fund as at 31 March 2016 in accordance with the CIPFA Code of Practice for 2015/16. It has not been prepared for use for any other purpose. The paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent.

The following Technical Actuarial Standards¹ are applicable in relation to this report:

- TAS R – Reporting;
- TAS D – Data;
- TAS M – Modelling; and
- The Pensions TAS

This report complies with each of the above standards.

Introduction

In its Code of Practice on Local Authority Accounting (2015/2016), CIPFA has specified that a section on risks arising from financial instruments should be included in the annual report and accounts for LGPS funds. In particular, the Guidance Notes for Practitioners (2015/2016) sets out the minimum requirements for disclosure of each of the following risks:

- Market risk (which is subdivided into “currency risk”, “interest rate risk” and “other price risk” in the CIPFA sample accounts)
- Credit risk
- Liquidity risk

This note sets out our assessment of the risk specifically relating to “Market risk – currency risk”, “Market risk – interest rate risk” and “Market risk – other price risk”.

- In relation to “currency risk”, we have provided the potential 1 year standard deviations of an individual currency movement.
- In relation to “interest rate risk”, we have provided the duration of components within the Fund’s bond portfolios, obtained from the fund managers.
- In relation to “other price risk”, we have provided the potential 1 year standard deviations of returns for each of the major asset classes in which the Fund is invested. We then set out our estimate of the total asset volatility based on the asset split shown, the volatilities of each asset class and the correlations between them.

This note does not cover the disclosure requirements in respect of “credit risk”, or “liquidity risk”. Please refer to the CIPFA Code of Practice for guidance on the disclosure requirements for these risks. We would be happy to discuss these requirements further if required.

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

Breakdown of “Market risk – currency risk” as at 31 March 2016

The 1 year expected standard deviation for an individual currency as at 31 March 2016 is **10%**. This assumes no diversification with other assets and, in particular, that interest rates remain constant.

Breakdown of “Market risk – other price risk” as at 31 March 2016**Table 1: East Sussex Pension Fund – Market Risk**

Asset class	1 year expected volatility (%)	% of Fund	Asset values as at 31 March 2016 £m
UK equities	17.1	12.7	351.6
Global equities (ex UK)	19.6	35.7	988.0
Property	14.7	11.7	324.8
Corporate bonds (short term)	7.1	2.4	67.4
Corporate bonds (medium term)*	9.5	4.1	112.5
UK index linked gilts (medium term)	5.1	1.5	41.1
UK index linked gilts (long term)	9.6	3.8	106.1
Cash	0.6	2.0	54.3
Private Equity	28.7	6.1	167.9
Infrastructure	20.3	2.1	58.0
Absolute Return/Diversified Growth	12.7	17.9	493.9
Total Fund volatility	11.8	100.0	2,765.6

Note: Numbers may not sum due to rounding. Asset values are taken at bid value where available.

The analysis shown in the CIPFA ‘example accounts and disclosure checklist’ is inconsistent with the Hymans Robertson model of risk and return. This is because CIPFA sums all of the potential changes in the asset class values to find the impact on the total Fund value, whereas our models take account of the diversification of assets. This difference in approach should be disclosed in the notes to the accounts.

The CIPFA ‘example accounts and disclosure checklist’ states that;

“This analysis assumes that all other variables, in particular foreign currency exchange and interest rates, remain the same”

This wording is inconsistent with the approach taken. We suggest the following wording is used to replace this;

“The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory”

Breakdown of “Interest rate risk” as at 31 March 2016

Table 2 below shows the duration estimates for the different components within the bond portfolios held by the Fund.

Table 2: East Sussex Pension Fund – Interest Rate Risk

Asset class	Duration (years)
L&G Over 5 year Index-Linked Gilts	24.0
M&G Alpha Opportunities	0.0 ¹
M&G Corporate Bonds	10.7

1 – The duration of the M&G Alpha Opportunities Fund is typically close to zero as the manager aims to hedge all of the duration exposure within the Fund

Application

“Market risk – currency risk”

The 1 year standard deviation for an individual currency should be applied to each asset class exposed to currency risk, as is shown in the CIPFA ‘example accounts and disclosure checklist’. The sum of the monetary impact for each asset class will equal the total Fund impact as we make no allowance for diversification in the determination of the 1 year standard deviation for a single currency.

“Market risk – other price risk”

Funds are required to show the impact of an increase / decrease on the asset value at the accounting date. You will be required to apply the 1 year volatilities shown to the asset values at the accounting date to meet this requirement. For example;

- Increase = Asset value * (1 + 1year expected volatility%)
- Decrease = Asset value * (1 - 1year expected volatility%)

For example, if the Fund asset value was £2.766bn at 31 March 2016 and the 1 year expected volatility was 11.8% at 31 March 2016, the ‘value on increase’ would be £3.091bn and the ‘value on decrease’ would be £2.440bn.

Please note that due to the approach taken to determine the total Fund volatility (in which we recognise the impact of diversification), the monetary impact on the total Fund assets is determined using the **total** Fund volatility (shown in the bottom row of table 1 above) rather than the sum of the monetary impact for each asset class.

“Interest rate risk”

The interest rate sensitivity information required in the disclosures is calculated as:

- Value of bond portfolio * change in interest rate (%) * -Duration

We would suggest that a +/- 100bps change in interest rates is sensible for the interest rate risk sensitivity analysis. Note that an **increase** in the interest rates results in a **decrease** in the value of the bond portfolio and vice versa.

For example, if the value of the L&G Over 5 year Index-Linked Gilts within the Fund was £147.2m at the 31 March 2016 and given a duration of 24.0 years at 31 March 2016, an increase in interest rates of 100bps would lead to a **fall** in the value of the bond portfolio of -£35.3m (£147.2m x (+1% x -24.0)). A decrease in interest rates of 100bps would lead to an **increase** in the value of the bond portfolio of £35.3m (£147.2m x (-1% x -24.0)).

HYMANS ROBERTSON LLP

We look forward to discussing this paper with you in the near future.

Prepared by:-

Chris Beattie, Investment Analyst

William Marshall, Partner

April 2016

For and on behalf of Hymans Robertson LLP

Appendix 1: Reliances and Limitations

The volatilities for each asset class and correlations used to create the total Fund volatility have been estimated using standard deviations of 5,000 simulated one-year total returns using HRAM, the economic scenario generator maintained by Hymans Robertson LLP. The overall Fund volatility has been calculated based on the asset valuations provided by the Fund's investment managers, as at 31 March 2016. The calibration of the model is based on a combination of historical data, economic theory and expert opinion. Liability values are not taken into account in calculating the volatilities.

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Report to: **Pension Committee**

Date: **31 May 2016**

By: **Chief Operating Officer**

Title of report: **Reporting Breaches Policy**

Purpose of report: **To inform the Committee of the Reporting Breaches Policy that provides a framework for reporting breaches of the law applying to the management and administration of the Fund.**

RECOMMENDATIONS

The Committee is recommended to agree the attached reporting breaches policy.

1. Background

1.1 Under the Pensions Act 2004 there is a legal requirement on all Pension Fund Committee Members, Pension Board Members, officers of the Fund, employers, and advisers to report any significant breaches of the law to the Pensions Regulator where they are likely to be of material significance to them. The Pensions Regulator Code of Practice no 14 (Governance and administration of public service pension schemes) states there should be a procedure in place within each Fund to identify and assess these breaches.

2. Supporting Information

2.1 The attached (Appendix A) Reporting Breaches Policy, which have been produced by officers in conjunction with Hymans Robertson, sets out these responsibilities and provides a framework for the Fund to identify, manage and where necessary report breaches of the law applying to the management and administration of the Fund.

2.2 Where a breach of the law is identified both the Pension Committee and the Pension Board will need to take all necessary steps to consider the breach and if necessary report to the Pensions Regulator. It is stressed that, as set out in the breaches policy, only material breaches are required to be reported to the Pensions Regulator.

2.3 The Committee and Board are required to monitor all breaches and ensure that adequate resources are allocated to managing and administering this process. Officers will effectively be responsible for the management and execution of this policy and for ensuring that training is conducted for all relevant officers, elected members, Members of the Committee and Pension Board on an ongoing basis.

2.4 The identification, management and reporting of breaches is important. It is a requirement of the Pensions Act 2004 and Pensions Regulator's Code of Practice; failure to report a breach without "reasonable excuse" is a civil offence that can result in civil penalties. Details of significant breaches will be published in the Fund's Annual Report.

3. Conclusion and reasons for recommendations

3.1 The Fund, Committee and the Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified it should be recorded, assessed and where necessary reported as soon as reasonably practicable. The Reporting Breaches Policy provides a framework to achieve this.

3.2 If any breach is considered significant or it is not clear as to whether it is significant, then it will be reported to Committee and the Pension Board to consider. The Section 151 officer will make the final determination as to whether it is materially significant having regard to the guidance set out in the Code and after consultation with the Council Monitoring Officer.

KEVIN FOSTER
Chief Operating Officer

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Local Member(s): All
Background Documents
None



EAST SUSSEX PENSION FUND

REPORTING BREACHES POLICY

April 2016

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Policy for Reporting Breaches of the Law

1. Background

East Sussex Pension Fund (“the Fund”) has prepared this document in setting out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of the Pensions Regulator’s Code of Practice no 14: Governance and administration of public service pension schemes (“the Code of Practice”).

This policy sets out the responsibility of elected members, officers of East Sussex County Council (“the Council”), officers involved in the administration of the Fund through any collaborative arrangement (“the administrators”) and the East Sussex Pension Fund local pension board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund. This policy does not cover the responsibility of other “reporters” (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified all parties will take the necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other “reporters”.

This policy will be reviewed and approved by the Council at least annually. The Council will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The monitoring officer for the Council will be responsible for the management and execution of this breaches policy.

The section 151 officer will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members, as well as members of the local pension board at induction and on an ongoing basis.

2. Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a material breach is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All staff involved in the administration and management of the Fund are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Council, as the scheme manager for the East Sussex Pension Fund, will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

The Council, administrators and the local pension board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the County Council, administrators or local pension board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

3. What is a breach of the law?

A breach of the law is *“an act of breaking or failing to observe a law, agreement, or code of conduct.”*. In the context of the Local Government Pension Scheme (“LGPS”) it can encompass many aspects of the management and administration of the scheme, including, for example, failure:

- to do anything required under the LGPS Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Regulator’s Code of Practice No 14.

4. Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as “reporters”):

- Elected members and officers of the Council, as the Scheme Manager;
- Members of the local pension board;
- Individuals carrying out administration or management functions on behalf of the Fund where such individuals are not officers of the Council;
- Scheme employers;
- Professional advisers (including the Fund actuary, benefit consultant, investment advisers, legal advisers); and
- Third party providers (where so employed).

This policy applies only to elected members and officers of the Council, those carrying out administration or management functions and members of the local pension board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the local pension board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other “reporters”.

5. Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law;
- and if so, is the breach likely to be of material significance to the Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Regulator. It is still necessary that all incidents of breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

6. When is a breach required to be reported to the Regulator?

The Code of Practice requires that a breach should be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. In any event, where a breach is considered to be of material significance it must be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Regulator, marked as "urgent" in order to draw the Regulator's attention to it.

7. Assessing "reasonable cause"

It is important that the Council, administrators or the local pension board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by officers, administrators and elected members when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary, benefit consultant or investment advisers).

8. Deciding if a breach is “materially significant” and should be reported to the Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the Council, administrators and local pension board will in all cases consider the following:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect – does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a “traffic light” system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the Council’s breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council, administrators or local pension board will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council, administrators or local pension board must report all such breaches to the Regulator in all cases;

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Council and its administrators will use the Regulator’s decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Regulator immediately.

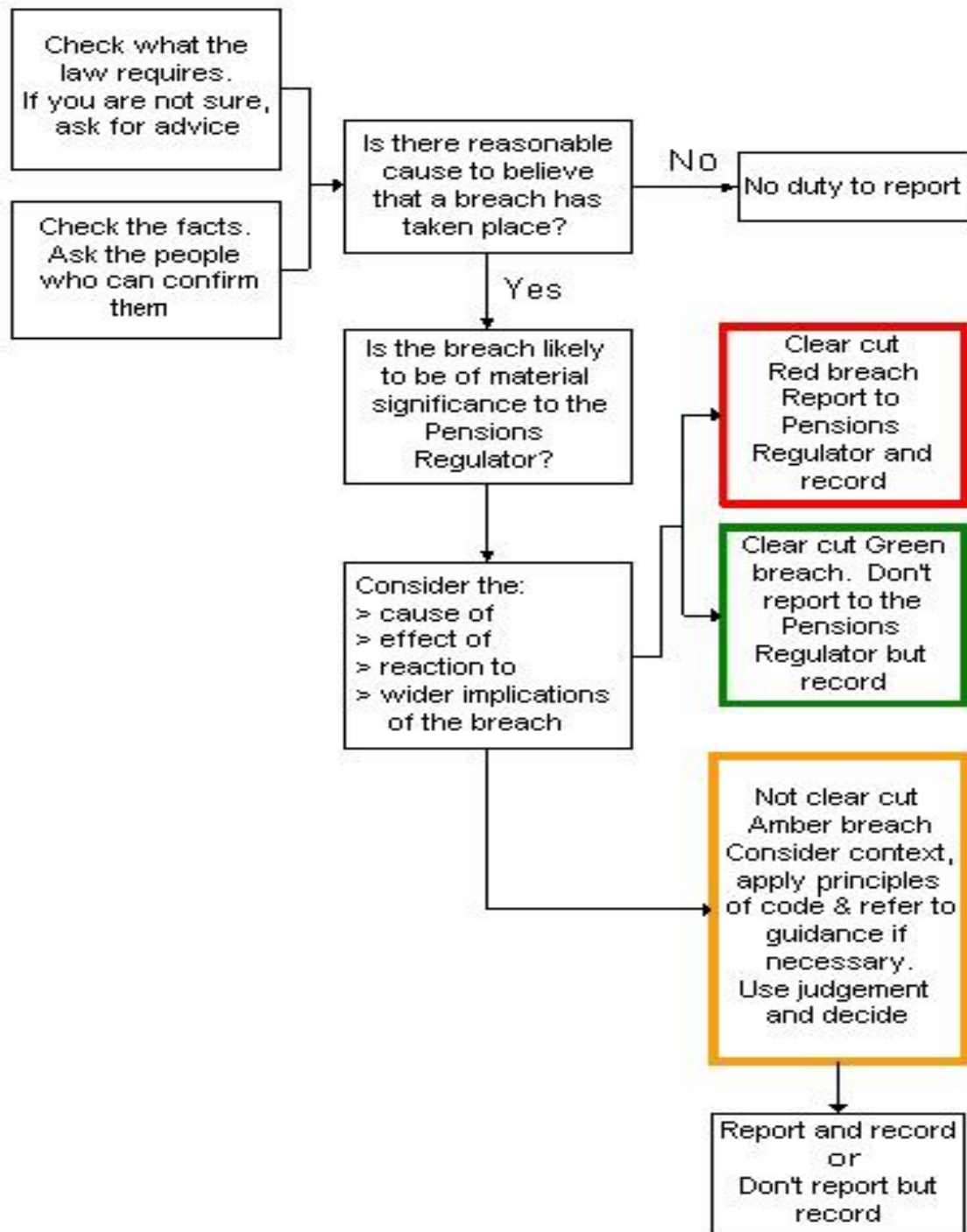
In order to determine whether failure to pay over employee contributions is materially significant or not the Council and its administrators will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the relevant manager, in consultation with the **monitoring officer** must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.



9. Process for reporting breaches

All relevant officers, administrators and elected members of the Council and administrators, as well as all members of the local pension board have a responsibility to:

- identify and assess the severity of any breach or likely breach;
- report all breaches or likely breaches to the monitoring officer and section 151 officer;

- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Committee, local pension board and where necessary the Regulator.

10. Administration Function responsibilities

Where a breach has been identified by the Fund's administration function, the administrators must alert the monitoring officer and section 151 officer immediately. The administrators must produce a preliminary report setting out an assessment of the breach. The preliminary assessment must contain;

- the circumstances leading to the breach;
- the impact and scale of the breach, both financial and with regard to the impact of service on members;
- the steps that have been taken to rectify the breach; and
- a preliminary assessment, based on the Regulator's traffic light flowchart, of the materiality of the breach.

For the avoidance of doubt all breaches must be reported to the monitoring officer and section 151 officer in this way regardless of whether they are deemed material.

11. Responsibilities of the responsible officer

The **Council's monitoring officer** will be responsible for the management and execution of this breaches policy.

The **monitoring officer** will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Council's breaches log;
- investigate the circumstances of all reported breaches and likely breaches;
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not reoccur;
- report to the Pension Committee and local pension board:
 - all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
 - all other breaches at least quarterly as part of the Committee cycle.

- report all materially significant breaches to the Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The **monitoring officer** will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate. Such parties might include the Head of Legal Services, the Pension Committee and local pension board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Regulator. Where uncertainty exists as to the materiality of any identified breach the Council, administrators or local pension board will be required to informally notify the Regulator of the issue and the steps being taken to resolve the issue.

12. How should a breach be reported to the Regulator?

All materially significant breaches must be reported to the Regulator in writing. This can be via post or electronically. The Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

The Council and its administrators will report all material breaches to the Regulator via Exchange.

13. How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the **monitoring officer** as soon as they are identified. The **monitoring officer** will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified;
- name of the scheme;
- name of the employer (where appropriate);
- any relevant dates;
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- a brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The **monitoring officer** will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator. Any documentation supporting the breach will also be retained.

14. Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Council, administrators or a member of the local pension board. The duty to report does not override any other

duties a “reporter” may have, such as confidentiality. Any such duty is not breached by reporting to the Regulator. Given the statutory duty that exists, in exercising this breaches policy the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

The duty to report, however, does not override ‘legal privilege’, so certain oral and written communications between the Council or local pension board and a professional legal adviser do not have to be disclosed if they meet the principles of legal privilege.

15. Training

The **section 151 officer** will ensure that all relevant officers and elected members, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

The administrators will be responsible for ensuring that all staff responsible for the administration of the Fund receive appropriate training with regard to this policy and their obligations under it.

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Report to: **Pension Committee**

Date: **31 May 2016**

By: **Chief Operating Officer**

Title of report: **Review of Discretionary Pension Policy Statements**

Purpose of report: **To inform the Committee of the of the Local Government Pension Scheme (LGPS) Discretions for the Administering Authority and Employers**

RECOMMENDATIONS

The Committee is recommended to note the review of Discretions under the Local Government Pension Scheme regulations

1. Background

1.1 Under The Local Government Pension Scheme (LGPS) Regulations 2013 each scheme employer is required to prepare and publish a written statement of its policy in relation to the exercise of its discretionary functions and send a copy of this statement to the administering authority. To support employers in the compliance of this regulation, the Fund provides a template of the statutory discretions requiring a policy.

2. Supporting Information

2.1 Employers will be required to formulate, publish and keep under review a policy statement in relation to the exercise of discretions under the LGPS. The fund will be contacting all employers of the East Sussex Pension Fund to review their respective discretions and provide them with an employer discretions template to assist in this exercise.

2.2 In addition, the fund will be engaging with the Council (Scheme Manager) on the pension policies that need reviewing and make recommendations for the adoption of new pension policy statements, taking into consideration the main provisions of the new LGPS.

2.3 The LGPS regulations require scheme employers to formulate and publish a policy. Appendix A1 and A2 list the draft pension discretionary policies under the regulations covering -

- Statutory Admin Authority Discretions
- Non Statutory Admin Authority Discretions
- Statutory Employing Authority Discretions
- Non Statutory Employing Authority Discretions

3. Conclusion and reasons for recommendations

3.1 To note the pension policies that needs reviewing and the fund engagement with employers on discretionary pension policy statements.

KEVIN FOSTER
Chief Operating Officer

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Local Member(s): All
Background Documents
 None

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Employing Authority Discretions - Statutory Local Government Pension Scheme Regulations 2013

Regulation	Description	Policy
16(2)(e) and 16(4)(d)	Whether and how much and in what circumstances to contribute to a shared cost APC/SCAPC	
30(6), 30(8) and 11(2) of the LGPS (Transitional Provisions, Savings and amendment) Regulations 2014	Flexible retirement and waiving any actuarial reduction that would apply	
31	Power of employing authority to grant additional pension to an active member	

Employing Authority Discretions - statutory

Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

Regulation	Description	Discretion application
Schedule 2 para 1(2)	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 and whether to waive actuarial reduction in certain circumstances	

Employing Authority Discretions - statutory

Discretions in relation to scheme members who ceased active membership on or after 1 April 2008 and before 1 April 2014

Discretions in relation to the Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007

Regulation	Description	Discretion application
30(2)	Consenting to the immediate payment of benefits between age 55 and 60	
30(5)	Waiving an actuarial reduction to pension benefits on compassionate grounds	
30A(3)	Consenting to application of payment for a suspended tier 3 ill health pension between age 55 and 60	.
30A(5)	To waive actuarial reductions on compassionate grounds for payment of a suspended tier 3 ill health pension between age 55 and 60	

Employing Authority Discretions - statutory

Discretions in relation to the Local Government Pension Scheme Regulations 1997 (The 1997 Pension Regulations) (some may continue to apply in relation to historical cases or councillors)

There are a number of regulations within the former 1997 Pension Regulations that apply to councillors who elect to join the LGPS. Where discretions are applicable in relation to active councillor members they should be applied as they are mirrored within the LGPS Regulations applicable from 1 April 2014.

Regulation	Description	Discretion application
31(2)	Grant application from a post 31 March 1998 / pre 1 April 2008 leaver for early payment of benefits on or after age 55 and before age 65	
31(5)	Waive on compassionate grounds the actuarial reduction applied to benefits paid early for a post 31 March 1998 / pre 1 April 2008 leaver or councillor	

Employing Authority Discretions – non statutory

Local Government Pension Scheme Regulations 2013

Regulation	Description	Policy
3(1)(b) and schedule 2 part 2	To whom to offer membership of the LGPS for designating bodies	
3(1)(a), Schedule 1 And 23(4) of the LGPS Regulations 1997	Issue a certificate of protection of pension benefits where eligible non-councillor member fails to apply for one for pay cuts / restrictions occurring pre 1 April 2008	
3(1)(c) and 4(2)(b)	To whom to offer membership of the LGPS for admission bodies	
9(1) and 9(3)	Determination of contribution rate and how it will be determined	
16(16)	Whether to extend 30 day deadline for member to elect for a shared cost APC upon return from a period of absence from work with permission with no pensionable pay (otherwise than because of illness or injury, relevant child-related leave or reserve force service leave)	
17(1)	Establishment of a Shared Cost AVC (SCAVC) facility	
19(2)	Right to a refund if member left due to offence of fraudulent character or grave misconduct	
20(1)(b)	Specify in an employee's contract benefits to be determined as pensionable	
21(5)	Determine "regular lump sum" for Assumed Pensionable Pay	
22(7)(b)	Extension of time limit for deferred benefits to not be aggregated	

Regulation	Description	Policy
	(concurrent employments)	
22(8)(b)	Extension of time limit for deferred benefits to not be aggregated	
37(3)	Recovery of payments following date of discontinuance of third tier ill health pension entitlement	
37(7)	Subsequent determination on level of ill health benefit following review of third tier ill health award as to whether tier two ill health benefits should apply.	
38(3)	Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	
38(6)	Decision whether a deferred and deferred pensioner member meets criteria for early payment due to permanent ill health	
91 to 93	Forfeiture of pension rights as a result of offences or misconduct	
95	Impact of forfeiture decision on surviving spouse or civil partner	
100(6)	Extension of time limit to accept a transfer value in conjunction with the administering authority	

Employing Authority Discretions – non statutory

Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

Regulation	Description	Discretion application
3(6), 4(6)(c), 6(4), 10(2)(a), 17(2) and 17(2)(b) And 11(2) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Agreement to member selecting final pay period for fees	
15(1)(d) and 25(3) of the LGPS (Administration) Regulations 2008	Continuing contribution in to a Shared Cost AVC (SCAVC) facility	
15(1)(b) and 66(8) and former 66(9) of the Local Government Pension Scheme Regulations 1997	Allow late application to convert scheme AVCs into membership credit	

Employing Authority Discretions – non statutory

Discretions in relation to scheme members who ceased active membership on or after 1 April 2008 and before 1 April 2014

Discretions in relation to the Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007

Regulation	Description	Discretion application
11(2)	Final pay period to be used where a member's pay consists of fees	
Regulation 31(4) and 31(7)	Determine payment of deferred pension on health grounds. Decision whether a deferred or deferred pensioner member meets criteria for early payment due to permanent ill health	

Employing Authority Discretions – non statutory

Discretions in relation to the Local Government Pension Scheme (Administration) Regulations 2008

Regulation	Description	Discretion application
47(2)	No right to return of contributions due to offence of a fraudulent character or grave misconduct unless employer directs a total or partial refund is to be made	
49(1) and (2)	Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund	
72 to 76	Forfeiture of pension rights as a result of offences or misconduct	

Employing Authority Discretions – non statutory

Discretions in relation to the Local Government Pension Scheme Regulations 1997 (The 1997 Pension Regulations) (some may continue to apply in relation to historical cases or councillors)

There are a number of regulations within the former 1997 Pension Regulations that apply to councillors who elect to join the LGPS. Where discretions are applicable in relation to active councillor members they should be applied as they are mirrored within the LGPS Regulations applicable from 1 April 2014.

Regulation	Description	Discretion application
34(1)(b)	Decide in the absence from a post 31 March 1998 / pre 1 April 2008 leaver of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership	
71(7)(a)	Consent to a member's former employer assigning to the new employer rights under any SCAVC life assurance policy for pre 1 April 08.	
88(2)	No right to return of contributions due to offence of a fraudulent character unless employer directs a total or partial refund is to be made (pre 1 April 2008 leavers)	
92	Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund for pre 1 April 2008 leavers.	
111- 115	Forfeiture of pension rights as a result of offences or misconduct	

Employing Authority Discretions – non statutory

Discretions in relation to the Local Government Pension Scheme Regulations 1995 (the “1995 Pension Regulations”)

There are some regulations within the former 1995 Pension Regulations that still apply scheme members who ceased active membership before 1 April 1998. Where discretions are also applicable in relation to active members in the LGPS2014 Regulations they should be applied as they are mirrored within the LGPS Regulations applicable from 1 April 2014.

Regulation	Description	Discretion application
D11(2)(c)	Grant application from a pre 1 April 1998 leaver for early payment of deferred benefits on or after age 50 on compassionate grounds	Delegated powers have been given to the Director of Resources
D10	Decide in the absence from a pre 1 April 1998 leaver of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership	Delegated powers have been given to the Director of Resources

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Administering Authority Discretions - Statutory

Local Government Pension Scheme Regulations 2013 (and relevant earlier regulations)

Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. For example the discretion to “decide to whom a death grant should be paid” is common to all sets of regulations and it is assumed that an administering would wish to maintain a consistent policy regarding its exercise, no matter under which set of regulations the member retired.

Regulation	Description	Existing Policy
30(8) of the LGPS Regulations 2013	Whether to waive, in whole or in part, actuarial reduction on benefits accrued from 1 April 2014 only when a member voluntarily draws them before normal pension age in the event that the member’s former employer is no longer a scheme employer. Whether to waive, in whole or in part, actuarial reduction on benefits which a member draws on flexible retirement grounds.	No existing policy * to form as and when required
55 of the LGPS Regulations 2013	To publish a Governance Compliance Statement in accordance with this regulation	Available on the ESCC website https://new.eastsussex.gov.uk/jobs/workingateastsussexcounty/council/pensions/financial/download/
58 of the LGPS Regulations 2013	Decide on funding strategy for inclusion in funding strategy statement	To be updated at the 2016 valuation once the new CIPFA guidance is available (expected July 2016).
61 of the LGPS Regulations 2013	To publish a Communication Policy in accordance with this regulation	Available on the ESCC website https://new.eastsussex.gov.uk/jobs/workingateastsussexcounty/council/pensions/financial/download/

Regulation	Description	Existing Policy
		tycouncil/pensions/financial/download/

Administering Authority Discretions - Statutory

Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

This section contains the key discretions about which an administering authority should (and in some cases must) have a written policy statement. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section.

Regulation	Description	Existing Policy
3(13) of the LGPS (Transitional Provisions and Savings) Regulations 2014 And 70(1) and 71(4)(c) of the LGPS (Administration) Regulations 2008 109 & 110(4)(b) of the LGPS Regulations 1997	Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	Available on the ESCC website https://new.eastsussex.gov.uk/jobs/workingateastsussexcounty/pensions/existingmembers
Schedule 2 para 1 of the LGPS (Transitional Provisions and Savings) Regulations 2014	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 where the employer no longer exists . This applies under the Local Government Pension Scheme Regulations 2013 only (i.e. currently does not apply to the early payment of deferred benefits payable under earlier Regulations)	No existing policy * to form as and when required

Administering Authority Discretions - Statutory

Discretions in relation to the Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007

This section contains discretions applicable to scheme members who ceased active membership on or after 1 April 2008 and before 1 April 2014. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

Regulation	Description	Existing Policy
30(2) and 30A(3) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Consenting to the immediate payment of benefits for members aged between 55 and 60 where the member's former employer is no longer a scheme employer.	No existing policy * to form as and when required
30(5) and 30A(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	To waive actuarial reduction where former employer is no longer a scheme employer.	No existing policy * to form as and when required

Administering Authority Discretions – non statutory

Local Government Pension Scheme Regulations 2013 (and relevant earlier regulations)

Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. For example the discretion to “decide to whom a death grant should be paid” is common to all sets of regulations and it is assumed that an administering would wish to maintain a consistent policy regarding its exercise, no matter under which set of regulations the member retired.

Regulation	Description	Existing Policy
4(2)(b) of the LGPS Regulations 2013	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or care Quality Commission	
3(5) and Schedule 2, Part 3 para 1 of the LGPS Regulations 2013	Whether to agree to an admission agreement with a body applying to be an admission body	Currently under delegation of powers with the CFO
Schedule 2, part 3, para 12(a)	Define what is meant by employed in connection with	
Schedule 2 Part 3 para 9(d) of the LGPS Regulations 2013	Whether to terminate a transferee admission agreement in the event of - insolvency, winding up or liquidation of the body - breach by that body of its obligations under the admission agreement - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	Covered in the FSS (p14).
16(1) of the LGPS Regulations 2013	Whether to turn down a request by a member to pay an Additional Pension Contribution or Shared Cost Additional Pension Contribution over a period of time where it would be impractical to	No existing policy

Regulation	Description	Existing Policy
	allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	
16(10) of the LGPS Regulations 2013	Whether to require a satisfactory medical before agreeing to an application to pay an Additional Pension Contribution or Shared Cost Additional Pension Contribution	No existing policy
17(12) of the LGPS Regulations 2013	Decide to whom any AVC/Shared Cost AVC monies (including life assurance monies) are to be paid on death of the member	No existing policy
22(3)(c) of the LGPS Regulations 2013	Pension account may be kept in such form as is considered appropriate	
40(2), 43(2) and 46(2) of the LGPS Regulations 2013 17(5) to (8) of the Transitional Provisions and Savings Regulations) 23(2), 32(2) and 35(2) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 38(1) and 155(4) of the LGPS 1997 Regulations E8 of the LGPS	Decide to whom a death grant should be paid	No existing policy

Regulation	Description	Existing Policy
Regulations 1995		
32(7) of the LGPS Regulations 2013	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	No existing policy
34(1) of the LGPS Regulations 2013 39 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 49 and 156 of the LGPS Regulations 1997	Decide whether to commute small pension	No existing policy
36(3) of the LGPS Regulations 2013 56(2) of the LGPS (Administration) Regulations 2008 97(10) of the LGPS Regulations 1997	Approve medical advisors used by employers (for ill health benefits)	No existing policy
38(3) of the LGPS Regulations 2013 And 31(4) of the LGPS (Benefit, Membership and Contributions)	Decide whether a deferred beneficiary meets the criteria required to qualify for ill-health retirement in cases where the member's former employer is no longer a scheme employer.	

Regulation	Description	Existing Policy
Regulations 2007		
38(5) of the LGPS Regulations 2013 And 31(7) of the LGPS (Benefit, Membership and Contributions) Regulations 2007	Decide whether a suspended ill health tier 3 member meets the criteria for ill health retirement in cases where the member's former employer is no longer a scheme employer	
38(6) of the LGPS Regulations 2013	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health (where Employer has become defunct)	
49(1)(c) of the LGPS Regulations 2013 42(1)(c) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	
54(1) of the LGPS Regulations 2013	Whether to set up a separate admission agreement fund	No existing policy
59 (1) and (2) of the LGPS Regulations 2013	Whether to have a written pensions administration strategy and, if so, the matters it should include	Being developed

Regulation	Description	Existing Policy
64 (2A) of the LGPS Regulations 2013	Whether to suspend, for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	no policy as yet, will form part of the cessation policy that should be written and signed off by the end of 2016
64(4) of the LGPS Regulations 2013	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	no policy as yet, will form part of the FSS & cessation policy in 2016.
68(2) of the LGPS Regulations 2013 80(5) of the LGPS 1997 Regulations	Whether to require employers to pay for pension strain when benefits are drawn early or with a reduced reduction.	contained in the FSS
69(1) of the LGPS Regulations 2013	Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	To be contained within administration strategy statement
69(4) of the LGPS Regulations 2013	Decide form and frequency of information to accompany payments to the Fund	No policy however the Fund provides a template form for employers to use
70 of the LGPS Regulations 2013 And regulation 22(2) of the Transitional Provisions and Savings Regulations 2014	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	
71(1) of the LGPS	Whether to charge interest on payments by employers which are	Will form part of the 2016/17 administration strategy

Regulation	Description	Existing Policy
Regulations 2013	overdue	statement
76(4) of the LGPS Regulations 2013 And 60(8) of the LGPS (Administration) Regulations 2008 And 99 of the LGPS Regulations 1997	Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	
79(2) of the LGPS Regulations 2013 And 63(2) of the LGPS (Administration) Regulations 2008 And 105(1) of the LGPS Regulations 1997	Whether admin. authority should appeal against employer decision (or lack of a decision)	
80(1)(b) of the LGPS Regulations 2013 And regulation 22(1) of the Transitional Provisions and Savings Regulations 2014 And 64(1)(b) of the LGPS (Administration)	Specify information to be supplied by employers to enable admin. authority to discharge its functions	Will form part of the 2016/17 administration strategy statement

Regulation	Description	Existing Policy
Regulations 2008		
82(2) of the LGPS Regulations 2013 52(2) of the LGPS (Administration) Regulations 2008 95 of LGPS Regulations 1997	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	No existing policy
83 of the LGPS Regulations 2013 52A of the LGPS (Administration) Regulations 2008	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	No existing policy
98(1)(b) of the LGPS Regulations 2013	Agree to bulk transfer payment	No existing policy
100(6) of the LGPS Regulations 2013	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS (in agreement with the employer)	No existing policy
100(7) of the LGPS Regulations 2013	Allow transfer of non-club pension rights into the Fund	No policy (implied in the FSS)
105(2) of the LGPS Regulations 2013	Decide whether to delegate any administering authority functions under the Regulations	See Section 12, table 5 of Part 3 or ESCC Constitution
106(3) of the LGPS Regulations 2013	Decide whether to establish a joint local pension board once approval has been granted by the Secretary of State	Not applicable

Regulation	Description	Existing Policy
106(6) of the LGPS Regulations 2013	Decide procedures applicable to the local pension board	
107(1) of the LGPS Regulations 2013	Decide appointment procedures, terms of appointment and membership of local pension board	See Section 1, table 5 of Part 3 or ESCC Constitution
Schedule 1 of the LGPS Regulations 2013 17(9) of the Transitional Provisions and Savings Regulations 2014	Decide to treat child as being in continuous education or vocational training despite a break	No existing policy
Schedule 1 of the LGPS Regulations 2013 Regulation 17(9)(b) of the Transitional Provisions and Savings Regulations 2014 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	No existing policy

Administering Authority Discretions – non statutory

Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

This section contains the key discretions about which an administering authority should (and in some cases must) have a written policy statement. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section.

Regulation	Description	Existing Policy
3(1) and Schedule 2 para 2(1) of the LGPS (Transitional Provisions and Savings) Regulations 2014	<p>In the event that a deferred member is drawing benefits early and that member's former employer is no longer a scheme employer, to determine whether;</p> <p>To waive any reductions that would apply to the member's service which is fully protected for the rule of 85 on compassionate grounds.</p> <p>To waive any reductions that would apply to the member's service which is not fully protected for the rule of 85 on any grounds whatsoever.</p>	Note – suggest a consistent approach here that ties in with LGPS 2014 Regulation 30(8)
Schedule 2, para 2(3) of the LGPS (Transitional Provisions and Savings) Regulations 2014	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reductions.	No existing policy

Regulation	Description	Existing Policy
<p>3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p> <p>and 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007</p> <p>and Schedule 1 to the LGPS (Transitional Provisions) Regulations 2008</p> <p>and Regulation 23(9) to the LGPS Regulations 1997</p>	<p>Where member to whom regulation 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member. Or where a member has a certificate of protection in place in respect of a pay cut or restriction prior to April 2008 and dies before making an election to make an election on behalf of the member.</p>	No existing policy

Regulation	Description	Existing Policy
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10(9) of the LGPS (Transitional Provisions and Savings) Regulations 2014	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)	No existing policy
15(1)(b) of the LGPS (Transitional Provisions and Savings) Regulations 2014 And 66(9) (b) and 66(9)(b) of the LGPS Regulations 1997	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where AVC arrangement was entered into before 13 November 2001)	No existing policy
15(1)(c) of the LGPS (Transitional Provisions and Savings) Regulations 2014 And Schedule 1 of the LGPS (Transitional Provisions) Regulations 2008 And 83(5) of the LGPS Regulations 1997	Extend time period for capitalisation of added years contract	No existing policy

15(1)(d) of the LGPS (Transitional Provisions and Savings) Regulations 2014 And 28(2) of the LGPS (Administration) Regulations 2008	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/14)	
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Administering Authority Discretions – non statutory

Discretions in relation to the Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007

This section contains discretions applicable to scheme members who ceased active membership on or after 1 April 2008 and before 1 April 2014. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

Regulation	Description	Existing Policy Located and Comments
27(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 47(2) of the LGPS Regulations 1997 G11(2) of the LGPS Regulations 1995	Payment of a child's pension to another person	No existing policy

Administering Authority Discretions

Discretions in relation to the Local Government Pension Scheme (Administration) Regulations 2008

Regulation	Description	Existing Policy Located and Comments
45(3) of the LGPS (Administration) Regulations 2008 And 89(3) of the LGPS Regulations 1997	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	No existing policy

Administering Authority Discretions – non statutory

Discretions in relation to the Local Government Pension Scheme Regulations 1997 (The 1997 Pension Regulations) (some may continue to apply in relation to historical cases or councillors)

This section contains discretions applicable to scheme members who ceased active membership on or after 1 April 1998 and before 1 April 1995. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

Regulation	Description	Existing Policy Located and Comments
47(1) of the LGPS Regulations 1997 G11(1) of the LGPS Regulations 1995	Apportionment of children's pensions	No existing policy
50 and 157 of the LGPS Regulations 1997	Commute benefits due to exceptional ill health	No existing policy
118 of the LGPS Regulations 1997	Retention of CEP where member transfers out for pre 1 April 2008 leavers	No existing policy
147 of the LGPS Regulations 1997	Discharge Pension Credit liability (in respect of Pension Sharing Orders for pre 1 April 2008 leavers	No existing policy

Administering Authority Discretions – non statutory

Discretions in relation to the Local Government Pension Scheme Regulations 1995 (the “1995 Pension Regulations”)

This section contains discretions applicable to scheme members who ceased active membership before 1 April 1998. Where a discretion reflects a similar discretion from an earlier set of regulations this has also been included and referenced in this section. Discretions under these regulations which have a corresponding discretion in later regulations have been included under that set of regulations only.

Regulation	Description	Existing Policy Located and Comments
F7(1) of the LGPS Regulations 1995	Suspension of spouses' pensions during remarriage or cohabitation	No existing policy

Report to: **Pension Committee**

Date: **31 May 2016**

By: **Chief Operating Officer**

Title of report: **External Audit Plan for East Sussex Pension Fund 2015/16**

Purpose of report: **To inform the Committee of the content of the Pension Fund external audit plan for 2015/16**

RECOMMENDATIONS

The Committee is recommended to approve the External Audit Plan for the East Sussex Pension Fund for 2015/16.

1. Background

1.1 The Plan confirms the core external audit fee as £26,607. This is unchanged from the 2014/15 fee. The fee is based on a number of assumptions, including the Council providing the auditors with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. The audit fee is charged to the Pension Fund and not to the Council itself.

2. Supporting Information

2.1 The attached Pension Fund external audit plan set out in more detail the work the external auditors will conduct in order to audit the Pension Fund's 2015/16 accounts. The Plan reflects relevant issues that have arisen as a result of the audit of the 2014/15 Pension Fund accounts and other work carried out by KPMG.

2.2 KPMG initial assessment has not identified any significant risks that are specific to the Pension Fund. Areas of audit focus either due to their size, level of judgement or their influence on other balances within the financial statements are:

- LGPS accounting treatment;
- Management override of controls.

3. Conclusion and reasons for recommendations

3.1 KPMG overall audit approach remains similar to last year with no fundamental changes. Officers will continue to liaise with KPMG to ensure that their work is delivered as efficiently and effectively as possible and that internal and external audit plans are complementary and make best use of audit resources. The External Audit Plan was considered by Audit, Best Value and Community Services Scrutiny Committee at its meeting on 15 March 2016.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions
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 Email: Ola.Owolabi@eastsussex.gov.uk

Local Member(s): All
Background Documents
 None

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External Audit Plan 2015/16

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East Sussex County
Council Pension Fund

March 2016

Appendix 16

Financial Statement Audit



There are no significant changes to the accounting guidance for Pension Funds in 2015/16, which provides stability in terms of the accounting standards the Fund needs to comply with.

Materiality

Materiality for planning purposes has set at **£27m (1% Net Assets)**. We base our materiality for planning purposes on last year's annual accounts.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £1.35m for the Pension Fund.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Fraud risk from management override of controls (required by ISAs)

See pages 3 for more details.

Logistics



Our team is:

- Phil Johnstone - Director
- Scott Walker - Manager
- Sana Naqvi – Assistant manager



More details are on **page 7**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 6**.

Our fee for the audit is £26,607 (£26,607 - 2014/15) for the Pension Fund. See **page 5**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our key objective, is to audit/review and report on your:

- *Financial statements:* Providing an opinion on your accounts.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Financial Statements Audit Planning

Our planning work takes place during January to February 2016. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for Pension Funds as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

We have not identified any significant risks over and above those detailed above.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgment to represent 'misstatements' unless the application of that judgment results in a financial amount falling outside of a range which we consider to be acceptable.

Reporting to the Scrutiny Committee for Audit, Best Value and Community Services

For the Pension Fund, materiality for planning purposes has been set at £27 million which equates to 1% of net assets.

We design our procedures to detect individual errors. This is £20.25 million for the year ended 31 March 2016, and we have some flexibility to adjust this level downwards.

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Scrutiny Committee for Audit, Best Value and Community Services any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK&I), we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance, and to request that adjustments are made to correct such matters. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

- We propose to report all individual unadjusted differences greater than £1,350,000 to the Audit and Governance Committee.
- We will also have regard to other errors below this amount if evidence of systematic error or if material by nature.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Scrutiny Committee for Audit, Best Value and Community Services to assist it in fulfilling its governance responsibilities.

Our audit team

Our audit team will be led by Phil Johnstone (Director) and Scott Walker (Audit Manager) providing continuity at a senior level. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Scrutiny Committee for Audit, Best Value and Community Services. Our communication outputs are included in Appendix

1.

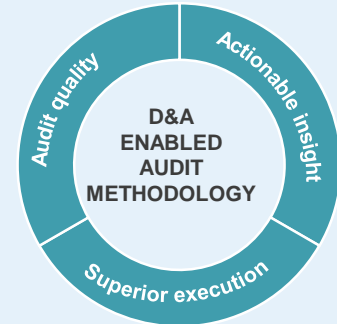
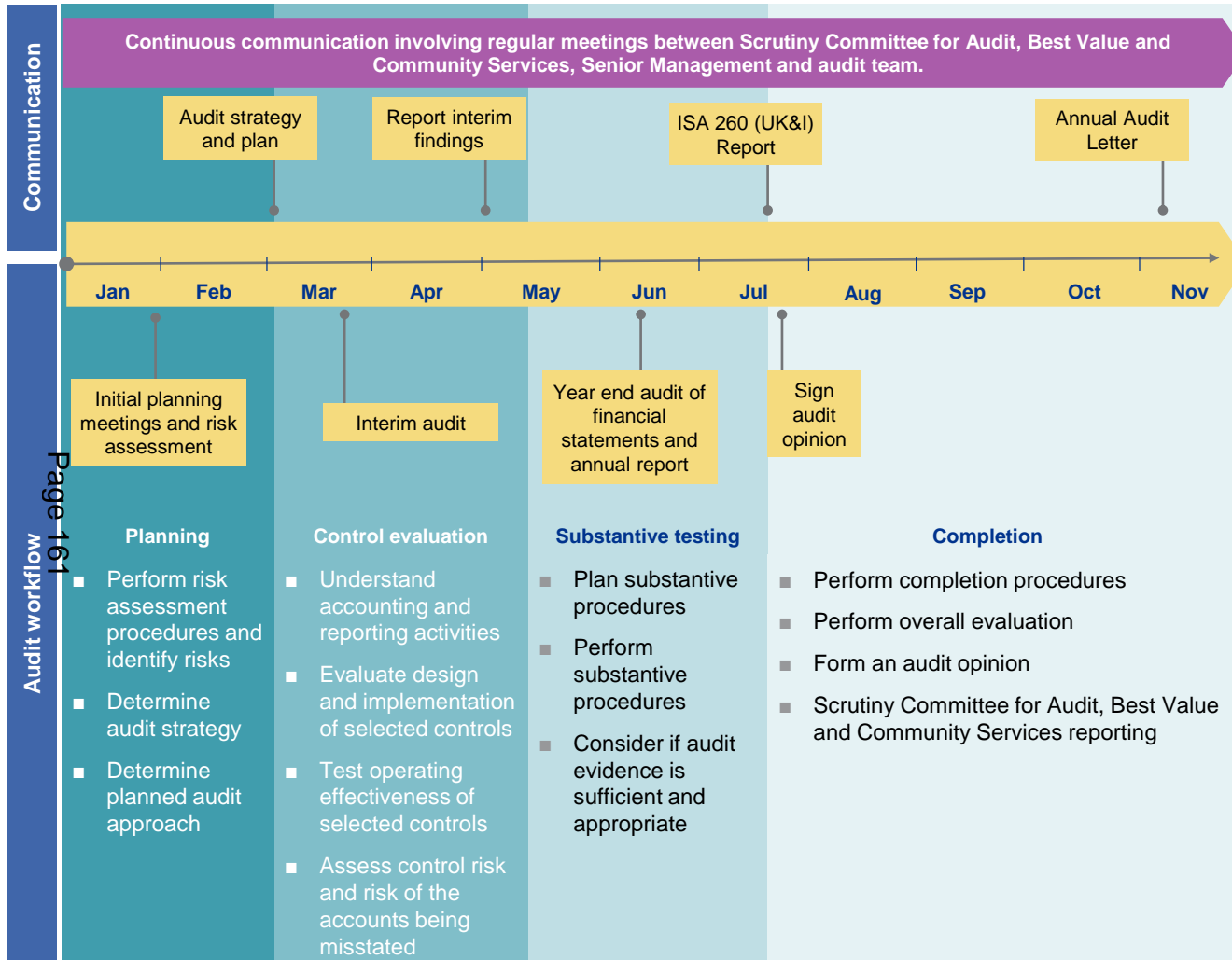
Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £26,607 for the Pension Fund (2014/15 £26,607).



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals.

Your audit team has been drawn from our specialist public sector assurance department. Phil Johnstone and Scott Walker provide continuity on the audit at a senior level. Sana Naqvi is new to the audit team this year, and brings a fresh perspective to our audit approach.



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Name	Phil Johnstone philip.johnstone@kpmg.co.uk
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Scrutiny Committee for Audit, Best Value and Community Services, Chief Executive and Executive Directors.'</p>



Name	Scott Walker Scott.walker@kpmg.co.uk
Position	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Phil to ensure we add value.</p> <p>I will liaise with the Chief Finance Officer, Director of Finance and the Finance Team'</p>



Name	Sana Naqvi sana.naqvi@kpmg.co.uk
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Scrutiny Committee for Audit, Best Value and Community Services.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of 15 March 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Phil Johnstone the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Report to: **Pension Board**

Date: **12 May 2016**

By: **Chief Operating Officer**

Title: **External Assurance Reports from Third Parties**

Purpose: **To provide the Board with the outcome of the Pension Fund External Control Assurance report for consideration.**

RECOMMENDATION -

The Board is requested to note the Internal Audit report on the Pension Fund external assurance reports from third parties.

1. Background

1.1 The Local Government Pension Scheme (Administration) Regulations requires administering authorities to ensure control regarding the external assurance reports from third parties. The Internal Audit has reviewed the Pension Fund external assurance reports from third parties, and this primarily provides an independent and objective opinion on the adequacy of the Pension Fund control environment. The main purpose of the audit has been to ensure that adequate control assurance is provided on fund managers through statutory reporting from the investment managers, custodians and property managers.

2. External Assurance Reports from Third Parties.

2.1 The Internal audit has provided substantial assurance over the external assurance reports from third parties for the pension fund. The review of Pension Fund External Control Assurance has been completed as part of the agreed annual audit plan for 2015/16, and provides assurance on the overall effectiveness of controls within the system and identifies areas of concern or weakness where improvements can be made.

3. Conclusion and recommendations

3.1 Based on the testing carried out during the audit, they are able to give an opinion of full assurance on the control environment around external control assurance of the Pension Fund.

KEVIN FOSTER

Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions

Tel. No. 01273 482017

Email: Ola.Owolabi@eastsussex.gov.uk

Background Documents:

None

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Internal Audit Report

Pension Fund External Control Assurance

2015/16

Final Report To:	Marion Kelly, Chief Finance Officer, BSD Ola Owolabi, Head of Accounts & Pension, BSD John Shepherd, Finance Manager – Pension Fund, BSD
Draft Report To:	Ola Owolabi, Head of Accounts & Pension, BSD John Shepherd, Finance Manager – Pension Fund, BSD Russell Wood, Principal Pensions Officer, BSD
Report Date:	March 2016
Audit Manager:	Jennie Barnes
Auditors:	Paul Fielding
Assignment Reference:	A3-004-59
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- 1. Introduction, Background and Scope**
- 2. Executive Summary and Audit Opinion**
- 3. Issues Arising, Recommendations and Management Comments**
- 4. Appendices:**
 - a. Acknowledgements
 - b. Definitions of Audit Opinions and Recommendation Risk Ratings
 - c. Management Responsibilities

1 Introduction, Background and Scope

- 1.1 The review of Pension Fund External Control Assurance has been completed as part of the agreed annual audit plan for 2015/16. This report aims to provide assurance on the overall effectiveness of controls within the system and identifies areas of concern or weakness where improvements can be made.
- 1.2 The main purpose of the audit has been to ensure that adequate control assurance is provided on fund managers through statutory reporting from the investment managers, custodians and property managers.
- 1.3 The principal sources of assurance are as follows:
 - AAF 01/06 reports produced in accordance with the requirements of the Institute of Chartered Accounts in England and Wales, for entities registered in the United Kingdom;
 - SSAE 16 (American Institute of Certified Public Accountants for Attestation Engagements no.16) and resulting Service Organisation Control Report; and
 - ISAE 3402 reports (International Federation of Accountants).
- 1.4 This report has been written on an exception basis, whereby only control weaknesses have been reported.
- 1.5 Management should note that in the case of any three star (high risk) recommendations issued in this report, implementation will be monitored by Internal Audit on a regular basis and that where actions are not addressed within the agreed timescales, this will be reported to Corporate Management Team and the Audit, Best Value and Community Services Scrutiny Committee.
- 1.6 It is management's responsibility to consider the extent to which any of the issues and risks raised in this report should be reflected within divisional, departmental or corporate risk registers.
- 1.7 This audit has been conducted in conformance with Public Sector Internal Audit Standards and our own internal quality assurance systems.

2 Executive Summary and Audit Opinion

2.1 Based on the work completed as part of this review we are able to provide the following opinion over the control framework:

Audit Opinion			No Assurance	Minimal Assurance	Partial Assurance	Substantial Assurance	Full Assurance
Direction of Travel							
Improved	Unchanged	Reduced					
							
Key Findings							
<p>Based on the testing carried out during the audit, we are able to give an opinion of full assurance on the control environment around external control assurance of the Pension Fund. The following areas of good practice were observed:</p> <ul style="list-style-type: none">• Dates of when all External Assurance documents are due are maintained in a single place, with formatting to show when reports over over-due;• Documentation showing where any exceptions are noted within the reports is maintained; therefore evidencing a review of the report has been undertaken. <p>At the time of the audit, the latest external assurance report for Newton’s was overdue. The Pension’s team have requested the report and have been informed that they should receive it by the end of March 2016. This audit has based assurance on the previous year’s report from Newton.</p>							

Control Objective	System Status	Compliance Status	Recommendations Raised		
			***	**	*
The County Council has identified and receives all sources of external control assurance for the pension fund and such information is formally reviewed.	Green	Green	0	0	0
The various sources of information regarding fund manager and custodian internal control provide the County Council, as administering authority for the pension fund, with adequate assurance. Where they do not, appropriate action is taken.	Green	Green	0	0	0

3 Issues Arising, Recommendations and Management Comments

Based on the testing undertaken, we identified no significant weaknesses in the system for Pension Fund External Control Assurance and no recommendations have been made.

Acknowledgements

We should like to take this opportunity to thank the following staff for their help and advice throughout the course of the audit:

- Russell Wood, Principal Pensions Officer, BSD

Definitions of Audit Opinions

Full Assurance:	<i>There is a sound system of control designed to achieve the system objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.</i>
Substantial Assurance:	<i>Whilst there is a sound system of control, there are a small number of weaknesses which put some of the system/service objectives at risk, and/or there is evidence of non-compliance with some controls. Opportunities to strengthen control still exist.</i>
Partial Assurance:	<i>Controls are in place and to varying degrees are complied with, but there are gaps in the control process which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.</i>
Minimal Assurance:	<i>Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve will lead to an increased risk of loss or damage to the Authority.</i>
No Assurance:	<i>Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the system or service objectives. A high number of key risks remain unidentified and/or unmanaged.</i>

Recommendations Risk Ratings

A three star rating (***):	<i>Applies to audit findings which are considered to relate to weaknesses in a fundamental control or high risk area and require urgent action by management.</i>
A two star rating (**):	<i>Applies to weaknesses in the control system which are not considered serious, but still represent a risk and need to be addressed within a reasonable period.</i>
A one star rating (*):	<i>Given in respect of findings which, although relatively minor and low risk, provide an opportunity to improve the control framework.</i>

Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

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Report to: Pension Board

Date: 12 May 2016

By: Chief Operating Officer

Title: Draft Pension Fund Annual Report – 2015/16

Purpose: To provide the Pension Board with the Pension Fund's draft 2015/16 Annual Report

RECOMMENDATIONS

The Pension Board is requested to -

a) note the Draft Annual Report, and financial performance of the Pension Fund, which will be submitted for final audit in June 2016;

c) note that the audited Pension Fund Annual Report will be presented to the Pensions Committee for approval at its meeting on 18 July 2016.

1. Background

1.1 There is a statutory requirement to prepare the pension fund accounts for each financial year, and there is also a requirement that the draft accounts be presented to Members. The purpose of this report is to provide the Pension Board with the draft Pension Fund's 2015/16 Annual Report, (Appendix 1) which are subject to audit. This report provides an overview of the year end financial position and the assets of the Pension Fund as at 31 March 2016.

2. Supporting Information

2.1 Accounting Requirements - The Pension Fund annual report/financial statements should be prepared in accordance with proper accounting practices set out in the Code of practice on local authority accounting in the UK (the Code). The Code requires authorities to account for pension funds in accordance with IAS26 Retirement benefit plans. IAS26 provides guidance on the form and content of the financial statements prepared by pension funds. It compliments IAS19 Employee Benefits which deals with the determination of the costs of retirement benefits in the financial statement of employers.

2.2 Annual Report Requirements - Local authorities responsible for administering a pension fund (administering authorities) forming part of the Local Government Pension Scheme (LGPS) are required by the LGPS Regulations to publish a pension fund annual report. The annual report is a publication separate from the authorities own statutory accounts and contains financials statements in respect of pension fund. Authorities are required to publish the annual report by 1 December.

3. Conclusion and reasons for recommendations

3.1 The draft 2015/16 Pension Fund Annual Reports are subject to the normal audit of accounts process, which is scheduled to commence from 6 June 2016 and forms part of the Audit programme for the Council. The External Auditor (KPMG) will provide an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions
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Background Documents

None

East Sussex Pension Fund Annual Report and Accounts

2015/2016

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1. Introduction

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Public Services Pensions Act 2013. The rules of the scheme are provided in the Local Government Pension Scheme Regulations that came into force from 1 April 2014 and provide the statutory basis within which the Scheme can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

Although a national pension scheme, mainly set up for the benefit of local government employees, the LGPS is in fact administered locally. The LGPS is open to all non teaching employees of the County Council, District and Borough Councils and Unitary Authorities in East Sussex, as well as Colleges of Further Education, Town and Parish Councils and a small number of charitable organisations who have applied to be treated as “admission bodies”. In addition, the LGPS allows employees of private contractors to participate in the Scheme where they are providing a service or assets in connection with the functions of a scheme employer, in accordance with the specific requirements of the LGPS Regulations. The scheme is not open to teachers or fire fighters, as these groups of employees have separate pension schemes.

A summary of the provisions of the scheme is given below.

Currently within the East Sussex Pension Fund there are 109 participating employers. A full list of participating employers is given at note 27.

Administering Authority Responsibilities

East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund on behalf of all the participating employers of the Fund in East Sussex, and in turn the past and present contributing members, and their dependents.

The Fund receives contributions from both employees and employers, as well as income from its investments. All of these elements put together then meet the cost of paying pensions, as well as the other benefits of the pension scheme. As part of its responsibilities as the administering authority the County Council is responsible for setting investment policy and reviewing the performance of the Fund’s external investment managers.

The County Council has entered in to a partnership arrangement with Surrey County Council known as Orbis to undertake the day to day functions associated with the administration of the LGPS. The main services provided by Orbis include maintenance of scheme members’ records, calculation and payment of retirement benefits including premature retirement compensation, transfers of pension rights, calculation of annual pension increases and the provision of information to scheme members, employers and the Fund’s Actuary.

Although the day to day work associated with administering the LGPS has been passed to Orbis, the County Council takes its statutory responsibility very seriously. It has therefore, set up procedures to ensure that Orbis undertake the work associated with the administration of the LGPS in accordance with an agreed service specification. The County Council also ensures that all the participating employers within the East Sussex Pension Fund are aware of their own responsibilities, as well as any changes to the provisions of the Scheme that may be introduced.

A major responsibility of the County Council as the administering authority is to undertake a valuation of the Pension Fund’s assets and liabilities (triennial valuation). The main purpose of this exercise is to assess the size of the Fund’s current and future liabilities against the Fund’s assets, and then set the employer contribution to the Fund for each participating employer for the following three year period. The most recent actuarial valuation of the Fund was carried out as at 31 March 2013. In addition to the triennial valuation of the Pension Fund, the County Council also receives requests each year from scheme employers to obtain appraisal reports from the Fund actuary, to enable them to comply with requirements of the Financial Reporting Standards FRS102 or IAS19. The provision of these reports, however, falls outside of the functions of the County Council as an administering authority.

It is important to note that ultimate responsibility for both the administration of the Pension Fund and the investment of all monies associated with the Fund remains with the County Council. The County Council has in place an established annual employers’ pension forum, to update and involve all the participating employers of the East Sussex Pension Fund, which is always well attended.

Changes affecting the LGPS, and future developments

In line with the Public Service Pensions Act 2013, the East Sussex Pension Fund set up a Pensions Board. The Board consists of 3 Employer representatives, 3 Scheme member representatives and an independent chair. The Board met for the first time in July 2015 and meets four times a year:

Additional information about the Pension Board, agendas and minutes of the Board's meetings are available at: <https://democracy.eastsussex.gov.uk/mgCommitteeDetails.aspx?ID=374>

Information and updates about any future developments in the scheme are contained on the Pension Fund's dedicated member website: <http://www.eastsussexpensionfund.org/>

LGPS Investment Pooling

In the July 2015 budget the government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Following this in the Autumn Statement, the government published the criteria for the pooling of LGPS investment assets. 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.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce whilst local accountability will be maintained as each individual fund will remain responsible for strategic decisions, including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments.

In response to the government agenda, the East Sussex Pension Fund Committee formally ratified the option of joining the ACCESS (i.e., 'A Collection of Central, Eastern and Southern Shires') Pool. This decision was to work with the other funds in the ACCESS Pool to submit proposals to Government.

The ACCESS group has been established to form a multi asset pool which will help authorities to achieve the benefits of scale and execute their responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible whilst maintaining the desired level of local decision making and control. In order to achieve this, the ACCESS group has agreed principles that participating authorities will work collaboratively and will have an equitable voice in governance. Decisions will continue to be made objectively and evidence based. Once operational, the pool will evolve its approach to meet the changing needs and objectives of participating funds and be open to innovation that will enable it to better serve the pool's participants.

The ACCESS final refined submission, demonstrating how the criteria will be met, is due to be submitted on 15 July 2016. This submission will fully address the detailed criteria set out in the consultation. DCLG states that the process for establishing the pools will take around 18 months, with liquid assets transferring to the pools from April 2018. This implies pools will be finally approved by government by October 2016.

2. Management and financial performance report

Scheme management and advisers

Responsibility for the East Sussex Pension Fund is delegated to the County Council's Pension Committee Members with support from the East Sussex Pension Board. The Pension Board comprises members representing employers and members in the Fund with an independent chairman. The Pension Committee receives advice from the County Council's Chief Finance Officer, Actuary, Investment Consultants and an independent Investment Adviser.

2015/16 Pension Committee Members

East Sussex County Councillors:	Richard Stogdon (Chairman)	
	Frank Carstairs	Bob Standley
	Godfrey Daniel	David Tutt

2015/16 Pension Board Members

Independent Chairman:	Richard Harbord	
Employer Representative:	Councillor Kevin Allen	Brighton & Hove City Council
	Councillor Brian Redman	Districts & Borough Councils
	Sue McHugh	Educational Bodies
Member Representative:	Angie Embury	Active & Deferred
	David Zwirek	Active & Deferred
	Tony Watson	Pensioners

FUND MANAGERS:	Adams Street Partners	Harbourvest
Legal and General	Longview Partners	Newton
Prudential M&G	Ruffer	Schroders
State Street Global Advisers	UBS Infrastructure	

CUSTODIAN:	Northern Trust
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AVC PROVIDER:	Prudential
----------------------	------------

ACTUARY:	Hymans Robertson
	20 Waterloo Street
	Glasgow
	G2 6DB

LEGAL ADVISORS:	Appointed from National LGPS Framework for Legal Services
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BANKERS TO THE FUND:	Natwest
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TREASURER:	Marion Kelly
	Chief Finance Officer
	East Sussex County Council

AUDITOR:	KPMG
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SCHEME ADMINISTRATOR:	Orbis Business Operations
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INVESTMENT ADVISER:	Hymans Robertson
----------------------------	------------------

INDEPENDENT ADVISER:	William Bourne
-----------------------------	----------------

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Investments

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Day-to-Day Matters

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County Hall
St Anne's Crescent
Lewes, BN7 1UE
(01825) 744591

Risk management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. The Fund's approach is to manage risk rather than eliminate it entirely.

Risk is identified and managed as follows:

Management Risk:

A significant risk is the potential insolvency of scheme employers, leaving outstanding liabilities in the Fund. To this end the Fund requires all admission bodies that wish to join the Fund to be guaranteed by a scheme employer(s) or to provide a bond to protect the Fund in the event of insolvency. In the monitoring of employers, consideration is given to the Funding Strategy Statement (FSS) which outlines the Fund's approach to how employer liabilities are measured and one of the aims of the FSS is to reduce the risk from employers defaulting on its pension obligations. The Fund monitors the financial sustainability of the scheme employers and takes this into account in the valuation exercise. Some funding risks can be mitigated by the Investment Strategy and the funding and investment strategies focus on the expected real returns from the assets, thus mitigating the effect of inflation on the value of the pension liabilities.

Risks include the non-payment of contributions by employers and processes are in place to ensure that contributions are reconciled regularly and late payers are reported. The operational risks of using third party suppliers these are monitored through the annual review of Internal Control Reports

Benefits Administration Risk:

Relate mainly to the inability of the Fund to meet its obligations and pay benefits accurately and on time as agreed with employers or under statute. These could include non- or late payment of members' benefits, incorrect calculation of benefits, breach of Data Protection Regulations and the failure to comply with Freedom of Information Act requests or Disclosure of Information requirements

All of the above could lead to adverse publicity, loss of reputation and ultimately statutory fines. In addition, the Fund is dependent on a sole supplier of pension administration software. There are processes in place to mitigate administration risks.

Internal Control Framework:

Internal controls and processes are in place to manage administration, financial and other operational risks. The East Sussex County Council's Internal Audit assesses the Fund's internal control processes in order to provide independent assurance that adequate controls are in place.

Investment risk:

Investment risk is regularly considered by Members and Officers, advised by the East Sussex Pension Fund (ESPF) Investment Consultants. The annual investment strategy meeting reviews the current ESPF strategy and looks at risk in more detail. The main investment risks to the Fund are from interest rates, inflation and market volatility.

The ESPF Statement of Investment Principles (see [page 55](#)) sets out the governance requirements for the ESPF and it is reviewed annually by members. The Pension Fund receives external assurance reports from Investment Managers and the Custodian, detailing their internal control systems, scrutinised by their external auditors. Each report is reviewed when available and the conclusion of each was that the control procedures are suitably designed and operated during the 12 months period under review.

Financial performance

Analytical Review

The following tables provide a brief review of the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report on [pages 10 to 14](#).

Fund Account

Net (Contributions)/withdrawals (*note 1*)
 Management Expenses
 Return on Investments
Net Increase in Fund

2014/15 £000	2015/16 £000
90,586	(411)
10,037	13,465
(367,632)	(37,871)
(267,009)	(24,817)

Net Asset Statement

Bonds (*note 2*)
 Equities (*note 3*)
 Pooled Funds (*note 2 & 3*)
 Cash
 Other
Total Investment Assets
 Non-Investment Assets
Net assets of the fund available to fund benefits at the year end.

2014/15 £000	2015/16 £000
426,154	429,154
846,310	290,442
1,388,116	1,961,280
81,220	79,059
10,600	6,644
2,752,400	2,766,579
(5,851)	4,787
2,746,549	2,771,366

Notes:

1. £95m transfer of assets to the Greater Manchester Pension Fund as part of the Ministry of Justice consolidation of probation funds
2. £135m transfer of assets from passive equity to passive bonds
3. The Lazard mandate was terminated in the third quarter of the year with the assets reinvested equally between the pre-existing Legal and General and State Street passive mandates

Analysis of pension contributions

The table below shows the value of primary pension contributions received late.

Month	Employers	Number of Payments Received Late
April	104	3
May	104	4
June	105	1
July	104	2
August	105	1
September	110	5
October	109	1
November	109	2
December	109	3
January	109	3
February	109	2
March	109	1

No interest was charged on any of the late payments.

Forecasts

The following tables show the forecasts and outturn for the Fund Account and the Net Asset Statement.

Fund Account	2014/15		2015/16		2016/17
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Contributions	(125,500)	(119,590)	(124,200)	(123,820)	(131,600)
Payments	200,600	210,176	118,900	123,409	122,400
Administration expenses	1,140	1,085	1,620	1,065	1,450
Oversight and governance costs	640	572	590	741	680
Investment expenses	8,180	8,380	9,010	11,659	8,850
Net investment income	(24,900)	(26,235)	(27,300)	(41,590)	(30,500)
Change in market value	(99,800)	(341,397)	(198,000)	3,719	(203,200)
Net increase in the Fund	(39,640)	(267,009)	(219,380)	(24,817)	(231,920)

Contributions and payments are based on current expectations; the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long term forecast returns for each asset class.

Net Asset Statement	2014/15		2015/16		2016/17
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Equities	1,764,000	1,715,256	1,845,600	1,701,964	1,831,300
Bonds	236,200	426,154	454,300	429,154	457,500
Property	262,800	287,569	309,100	322,775	347,000
Alternatives	215,000	231,601	251,500	226,983	246,500
Cash	89,000	81,220	78,500	79,059	80,400
Other	9,800	10,600	11,400	6,644	7,100
Total Investment Assets	2,576,800	2,752,400	2,950,400	2,766,579	2,969,800

The forecasts for total investment assets are based on the actual figures multiplied by the historic long term returns for each asset class used. Net contributions, less administration and investment management expenses and oversight and governance costs, are added to the Cash figure to reflect new money into the Fund. The forecasts do not take into account potential additions or disposals of investments within these asset classes during the period as potential changes are not known with any degree of certainty. The asset class and historic long term returns are as follows:

Asset Class	Long Term Forecast Return
Equities	7.6%
Bonds	6.6%
Property	7.5%
Alternatives	8.6%
Cash	3.9%
Total	7.4%

These historic long term returns are taken from State Street Investment Analytics.

Management Expenses

	2013/14		2014/15		2015/16
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Orbis Finance Support Services	20	46	50	54	40
Orbis Business Operations Support Services	820	750	770	712	770
Supplies and Services	300	289	800	299	440
Administration total	1,140	1,085	1,620	1,065	1,250
Oversight and governance costs					
Orbis Finance Support Services	220	232	240	182	200
Supplies and Services	430	348	360	555	480
Third Party Payments	110	154	160	118	180
Other Income	(120)	(162)	(170)	(114)	(180)
Oversight and governance total	640	572	590	741	680
Investment Management					
Supplies and Services	8,180	8,380	9,010	11,659	8,850
Investment Management Total	8,180	8,380	9,010	11,659	8,850
Management Expenses Total	9,960	10,037	11,220	13,465	10,780

Pension overpayments

	2014/15		2015/16	
	Number	Value £000	Number	Value £000
Overpaid Pensioners	40	22	44	34
Recoveries	31	14	38	23
Outstanding	-	-	6	11
Write Off	1	1	-	-

4. Investment policy and performance

Bodies which the fund is member, subscriber or signatory

National Association of Pension Funds

Local Authorities Pension Fund Forum

CIPFA Pensions Network

Club Vita

Local Government Association (LGPC)

Local Government Pension Scheme National Framework for Legal Services, Actuarial and Investment Consultants

Current Investment Arrangements

The Pension Committee made slight changes to the Fund's investment manager structure over the course of the financial year to 31 March 2016. The overall asset allocation was unchanged.

One of the Fund's active equity managers was terminated during the year. The holdings were transferred equally between the existing Legal & General global equity allocation and the State Street fundamental indexation global equity allocation, both passively managed. As a result, the Fund's overall equity allocation remained unaltered.

When considering the investment portfolio, diversification is one of the most important issues that the Committee considers. Rather than relying on a single investment decision, making a larger number of smaller decisions can reduce risk. For example, any investment in equities is spread across many stocks, across a wide range of industries and across a number of countries. If a particular company, industry or country has a period of poor returns, this should have a limited impact on the portfolio.

The Fund's investments are very well diversified, as a way of controlling risk. This applies in two ways:-

1. Asset Allocation

Although the benchmark is heavily weighted towards equities (as the asset class expected to provide the highest return over the medium to long term), there is a significant exposure to property and infrastructure, most notably the former ("real" assets with a different performance cycle to equities) and a small exposure to bonds (which tend to act as form of protection at times of market stress). The Fund's allocation to absolute return mandates provides further diversification, uniquely, within these mandates, the managers have the flexibility to alter asset allocation between asset classes.

Within equities, diversification is achieved by investing in different markets across the world, which provides exposure to many different stocks and sectors. The Fund is further diversifying some of the equity exposure by making annual allocations to unquoted equity. This allocation is expected to lead to higher returns over the longer term, without adding significantly to overall risk (which is consistent with the objectives of the Fund).

2. Manager Structure

The Fund employs a number of managers with differing styles and management approaches. This is a deliberate policy to avoid over-dependence on the fortunes of a single manager and to concentrate on managers' particular areas of expertise. All managers are expected to maintain well diversified portfolios. The Fund's structure is broadly as follows:

- Legal & General Investment Management remains the Fund's largest single equity manager; all of the assets are managed passively against UK and Global equity market benchmarks. The Fund has one active global equity manager (Longview) which employs an approach which differs in terms of style and the inherent risk. The Fund's remaining equity manager State Street offers additional diversification from Legal & General's market capitalisation based passive management approach, through the fundamental indexation mandate. The Investment Panel maintains the belief that global equity mandates offer the most efficient way to access world equity markets.
- The two absolute return managers (Ruffer and Newton) are expected to add diversification away from the Fund's other mandates due to their flexible and unconstrained management approach.
- A single property manager is employed (Schroders); however, the "fund of fund" approach provides manager diversification within the underlying holdings.

- Corporate bonds and absolute return bonds are managed by M&G. Index-linked bonds are managed by Legal & General.
- The Fund's allocations to infrastructure and unquoted equities are split into four portfolios, each managed by separate managers.

The objective is to seek to ensure:

1. each active manager adds value, net of the fees which it charges;
2. each manager brings something different - specialist skills or a different approach to investment - to the mix.

In this way, the Fund seeks to achieve an appropriate return and added value over the medium term, but in a risk controlled fashion.

Custodian

A specialist provider of Custodian Services, Northern Trust, is employed by the East Sussex Pension Fund.

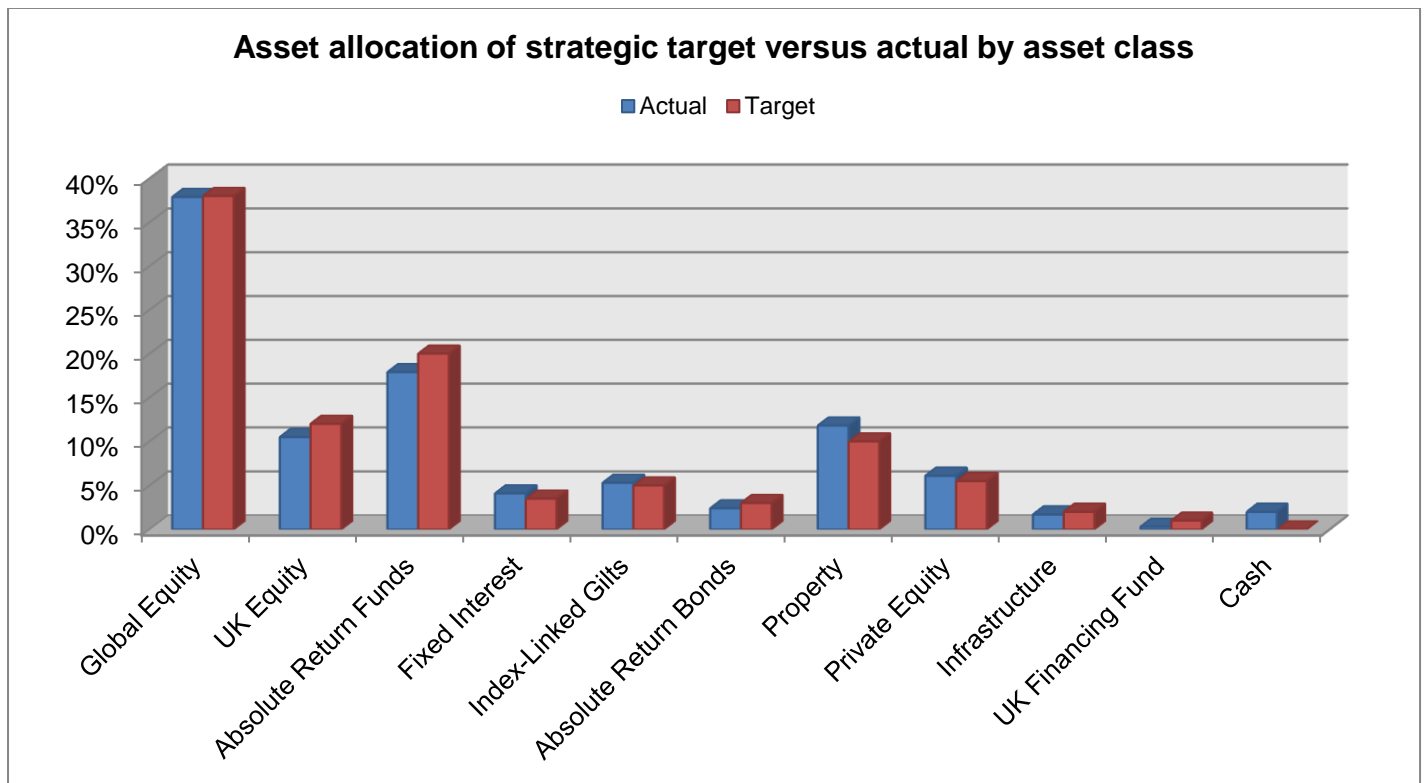
The responsibilities of the Custodian are:

- Collection of investment income.
- Arranging for the custody of the schemes assets in compliance with the custody agreement.
- Providing quarterly valuations of the schemes assets, details of all transactions and investment accounting..
- Responsibility for cash management and investing the daily cash balances in a "Triple A" rated cash pool.

Asset allocation

Mandate	Value (£m)	Proportion (%)		Value (£m)	Proportion (%)	
	Q1 2015	Actual	Target	Q1 2016	Actual	Target
L&G - Global Equities	200.6	7.3%	8.0%	385.5	13.9%	15.5%
Lazard - Global Equities	410.2	15.0%	15.0%	0	0.0%	0.0%
Longview - Global Equity	174.6	6.4%	5.0%	180.7	6.5%	5.0%
State Street - Fundamental Indexation	290.7	10.6%	10.0%	483.1	17.5%	17.5%
L&G - UK Equities	286.4	10.5%	12.0%	289.6	10.5%	12.0%
Newton - Absolute Return	249.7	9.1%	10.0%	253.2	9.2%	10.0%
Ruffer - Absolute Return	256.7	9.4%	10.0%	240.3	8.7%	10.0%
L&G - 5yr ILG	144.3	5.3%	5.0%	147.2	5.3%	5.0%
M&G - Bonds	180.2	6.6%	6.5%	179.2	6.5%	6.5%
Schroder - Property	294.1	10.7%	10.0%	325.9	11.8%	10.0%
M&G - Infrastructure Fund	39.2	1.4%	1.0%	28.7	1.0%	1.0%
UBS - Infrastructure	22.1	0.8%	1.0%	20.7	0.7%	1.0%
Adams Street - Private Equity	85.4	3.1%	2.8%	88.6	3.2%	2.8%
HarbourVest - Private Equity	69.8	2.5%	2.7%	79.3	2.9%	2.7%
M&G - UK Financing Fund	10.6	0.4%	1.0%	8.5	0.3%	1.0%
Cash account	25.3	0.9%	0.0%	54.6	2.0%	0.0%
Total	2,739.9	100.0%	100.0%	2,765.1	100.0%	100.0%

Set out below is the Fund's strategic target and actual allocations at the beginning and end of the 2015/16 financial year.



During the third quarter the Committee agreed to terminate the Lazard mandate, and the funds were reinvested equally between the pre-existing Legal and General and State Street passive equity mandates.

Investment performance

The Fund delivered an absolute return of 2.8% over the twelve month period to 31 March 2016, outperforming its customised benchmark by 0.9%. **Note 28 on page 54** gives further detail on the total fund performance.

Actual and benchmark performance for each of the Fund's mandates is provided in the table below, over 12 months 3 years and 10 years. Results are considered by the Investment Panel on a quarterly basis and the Fund members on an annual basis as part of this report.

Mandate	1 year			3 year (p.a.)			10 year (p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
L&G - Global Equities	-0.4%	-0.5%	0.1%	8.2%	8.2%	0.0%			
Longview - Global Equity	3.5%	-1.2%	4.8%	N/A	N/A	N/A			
State Street - Fundamental Indexation	-3.2%	-3.3%	0.2%	N/A	N/A	N/A			
L&G - UK Equities	-3.9%	-3.9%	0.1%	3.8%	3.7%	0.1%			
Newton - Absolute Return	1.4%	0.6%	0.8%	3.3%	0.6%	1.8%			
Ruffer - Absolute Return	-6.1%	0.6%	-6.6%	2.2%	0.6%	1.6%			
L&G - 5yr ILG	1.9%	1.8%	0.0%	N/A	N/A	N/A			
M&G - Bonds	-0.3%	-0.4%	0.1%	6.1%	5.8%	0.3%			
M&G - Absolute Return Bonds	0.4%	0.6%	-1.0%	2.4%	0.6%	1.8%			
Schroder - Property	10.9%	12.2%	-1.2%	14.0%	14.8%	-0.7%			
M&G - Infrastructure Fund	32.2%	4.5%	26.5%	20.6%	4.5%	15.4%			
UBS – Infrastructure	-0.1%	0.6%	-0.7%	-0.6%	0.6%	-1.1%			
Adams Street - Private Equity	12.3%	-0.6%	13.1%	14.4%	8.0%	5.9%			
HarbourVest - Private Equity	16.7%	-0.6%	17.5%	13.9%	8.0%	5.4%			
M&G - UK Financing Fund	4.4%	0.6%	3.8%	4.7%	0.6%	4.1%			
Cash account	1.4%	0.4%	1.0%	0.6%	0.4%	0.2%			

The Funding Strategy Statement dated March 2014 has been in force throughout the year to 31 March 2016.

Contribution rates payable by participating employers over the year to 31 March 2016 were set at the 2013 valuation in line with the principles summarised in the Funding Strategy Statement. Similarly, the approach used to set asset allocations for new bodies, to calculate the bond requirements for admitted bodies and to determine any cessation debts payable by exiting employers has been in line with the Funding Strategy Statement.

The Fund monitors the change in the funding position at a whole Fund level on a regular basis.

The next review of the Funding Strategy Statement will take place over the 2016/17 year.

An analysis of fund assets as at the reporting date

	UK £m	Non-UK £m	Global £m	Total £m
Equities	359	327	870	1,556
Bonds	474	51	8	533
Property (direct holdings)	-	-	-	-
Alternatives	323	-	261	584
Cash and cash equivalents	63	16	8	87
Other	-	5	-	5
Total	1,219	399	1,147	2,765

An analysis of investment income accrued during the reporting period

	UK £000	Non-UK £000	Global £000	Total £000
Equities	1,515	9,019	11	10,545
Bonds	2,000	453	-	2,453
Property (direct holdings)	-	-	-	-
Alternatives	8,772	-	19,908	28,680
Cash and cash equivalents	246	172	-	418
Other	-	-	-	-
Total	12,533	9,644	19,919	42,096

In the above tables:

'Alternatives' are taken to mean holdings in private equity, hedge funds, pooled property funds, infrastructure funds and derivatives.

'Other' denotes assets not falling into any other category, such as investments in vehicles where the underlying investments may comprise of assets of more than one type.

'Global' holdings are those that include an element of both overseas and UK listed assets.

Investments in pooled funds have been allocated to categories based on the nature and domicile of the underlying assets.

4. Administrative management performance

Key administration performance indicators

Performance Indicator	Target %	Achieved by Fund %
Calculation of spouses benefits within specification	100%	82%
Deferred benefit notifications within specified timescales	100%	91%
Transfers in request values within specified timescales	100%	96%
Transfers in request payment within specified timescales	100%	94%
Transfers out provide quote within specified timescale	100%	98%
Transfers out make payment within specified timescale	100%	94%
Refunds - within specified timescales	100%	98%
Payslips despatched as per specification	100%	100%
Payroll accuracy - as specified	100%	100%
Payment of lump sums within specification	100%	91%
Estimates provided within specified timescales	100%	83%

	2014/15	2015/16
Number Of Complaints	7	6

Financial indicators of administrative efficiency

Unit Costs Per Member	East Sussex Pension Fund		Benchmark Unit Costs
	2014/15	2015/16	
Excluding investment management expenses	25.28	26.36	29.51
Including investment management expenses	153.09	196.48	171.69

Key staffing indicators

At 31 March 2016 staffing numbers within Orbis – Business Operations were 14.8 full time equivalent members of staff.

This provides the fund with a staff to fund member ratio of 1:4,562.

With an average cases per member of staff of 1:468

Membership

The East Sussex Pension Fund was established in 1974 to cover the future pension entitlement of all eligible employees of the County Council and former District Councils. The Fund excludes provision for teachers, police officers and fire-fighters, for whom separate arrangements exist. A number of other bodies also participate in the Scheme. These include Parish and Town Councils, Further Education Colleges, Academy Schools, Police and Fire Authorities (non-uniformed staff only) and Admitted Bodies. Admitted Bodies are those which are able to apply for membership of the Scheme under the Regulations. If the Pension Fund Committee agrees to the application, an Admission Agreement is drawn up admitting the body into the Scheme.

Note 27 to the accounts provides a list of all organisations currently contributing to the Fund. It includes their contribution rates, expressed as a percentage of employees' pensionable pay, and additional annual payments for those participating bodies which would otherwise have a shortfall in contributions by the end of the recovery period.

Below is a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some deferred members and pensioners).

	Active	Ceased	Total
Scheduled body	72	19	91
Admitted body	37	20	57
Total	109	39	148

EAST SUSSEX PENSION FUND REPORT AND ACCOUNTS 2015/16

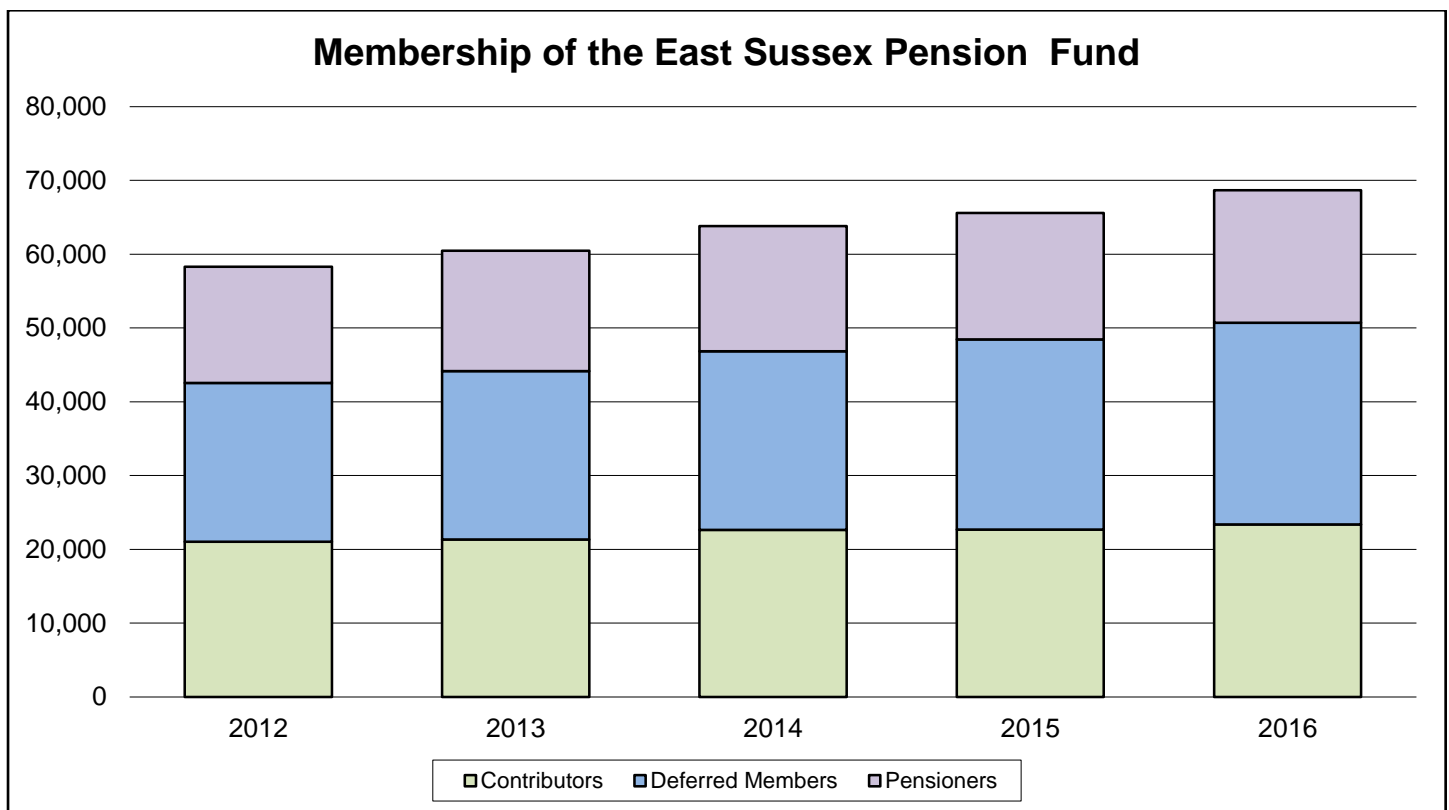
During 2014/15 the number of contributing members within the Pension Fund increased by 2.9% from 22,688 to 23,367. In summary, the number of members contributing to the Scheme is:

	2014/15	2015/16
East Sussex County Council	8,970	8,789
Scheduled Bodies	13,307	14,022
Admitted Bodies	411	556
Total	22,688	23,367

The number of pensioners in receipt of payments from the Fund increased from 17,117 to 17,891 (or 4.5%).

The following table and bar chart provide a summary of contributing members, pensioners in payment and deferred pensioners over the last five years:

	March 2012	March 2013	March 2014	March 2015	March 2016
Active Members (contributors)	21,050	21,347	22,649	22,688	23,367
Pensioners (inc dependants)	15,738	16,276	16,993	17,117	17,942
Deferred Members	21,504	22,822	24,173	25,757	27,344



5. Scheme administration report

East Sussex County Council is the Administering Authority for the East Sussex Pension Fund and the Scheme administration is the responsibility of their Chief Finance Officer. The costs of administering the Scheme are charged to the Pension Fund. The administration of the scheme uses the Altair system to support the complex requirements of the Local Government Pension Scheme. The Pension Fund website eastsussexpensionfund.org provides scheme members and employers access to up to date information on the Local Government Pension Scheme. Along side this website East Sussex County Council also provides information on their website around how the Pension Fund is governed eastsussex.gov.uk/jobs/workingateastsussexcountycouncil/pensions/default.htm.

The County Council has entered in to a partnership arrangement with Surrey County Council known as Orbis to undertake the day to day functions associated with the pensions administration of the LGPS.

The Accounts and Pensions team and Orbis staff assist the Chief Finance Officer in their statutory duty to ensure that the Pension Scheme remains solvent and is administered effectively, adhering to the Local Government Pension Scheme Regulations in order to meet any current and future liabilities.

The Pensions Administration Team at Orbis comprises of 14.8 full time equivalent staff who provide a wide range of services including:

- administration of the affairs of East Sussex Pension Fund and also provision of services in connection with the pensions of teachers and uniformed fire officers;
- calculation of pensions and lump sums for retiring members of the Local Government Pension Scheme and provision of early retirement estimates;
- administration of new starters in the Scheme;
- calculation of service credit calculations, outgoing transfer value calculations and divorce estimates for the Local Government and Fire Brigade Schemes;
- collection of employee and employer contributions to be invested into the Local Government Pension Scheme;
- maintenance of the database of pension scheme members and provision of annual benefit statements and deferred benefit statements;
- calculation of deferred pensions and refunds for early leavers;
- undertaking the annual pension increase exercise;
- calculation of widows and dependants benefits for retired and active members;
- dealing with the administration of in-house AVCs;

A team of 4.4 full time equivalent staff in Accounts and Pensions provide support to the Chief Finance Officer in their statutory role in relation to governance, accounting and investment related activities for the Pension Fund, including:

- production of newsletters for active and retired members;
- preparation of Pensions Fund Committee and Board reports relating to administration related issues;
- working with Pension Fund employers to assist them in understanding and managing the cost of participation in the Local Government Pension Scheme;
- liaison with the Actuary to provide information for the triennial valuation, annual accountancy disclosures and ad hoc costings for employers and prospective employers;
- preparation of the Pension Fund Accounts for inclusion in East Sussex County Council's Statement of Accounts;
- preparation of the Annual Report and Accounts of the Pension Fund;
- liaison with External and Internal Audit;
- day-to-day accounting for the Pension Fund;
- completion of statistical and financial returns for Government and other bodies;
- co-ordination of the production of FRS102/ IAS19 information for employers;
- preparation of Pension Fund Committee and Board reports relating to investments and accounting issues;

- co-ordination of reports for Quarterly Pension Fund meetings and the Pension Fund's Annual Meeting;
- liaison with Investment Managers, Advisers and Actuary;
- appointment of Investment Managers, Advisers and Actuary;
- monitoring and Review of Investment Managers, Advisers and Actuary;
- preparation of the Statement of Investment Principles and Funding Strategy Statement;
- allocation of Cash to Investment Managers;
- rebalancing of Investment Managers to their asset allocations;
- investment of Pension Fund surplus cash balances;
- calculation of interest on all Managers' cash held by the Pension Fund;
- reconciliation of all Managers' purchases, sales and dividends received.

Internal Dispute Resolution Procedure

The LGPS is required by statute to make arrangements for the formal resolution of any disagreements on matters in relation to the scheme that may arise between, the managers of the Scheme and the, active, deferred and pensioner members of their representatives.

There is access to a two stage dispute resolution procedure. This procedure consists of an initial application to the person or persons appointed by the individual's employer to consider the matter. If the complainant is still dissatisfied with the decision they then have the right to refer the matter to the County Council to consider the matter under dispute. The person appointed for this role in the East Sussex Pension Fund is the Assistant Chief Executive.

In addition to the dispute procedure the Social Security Act 1990 and the Pensions Act 1995 have created a framework of national organisations to control occupational and personal pension schemes, to which LGPS members have access.

The following table summarises the number of disputes made through the Fund's Internal Dispute Resolution Procedure at each stage of appeal:

	2015/16
First Stage	2
Upheld	-
Declined	2
Ongoing	-
Second Stage	1
Upheld	-
Declined	1
Ongoing	-

6. Actuarial report on funds

An Actuarial valuation is carried out by the Fund's actuary, in particular, to test future funding or current solvency of the Pension Fund's assets against its liabilities. In the case of the LGPS the Actuary values the Fund's assets and liabilities every three years.

The underlying principle of the Fund is to ensure that employer contribution rates are set at a level to attain 100% funding, as certified by the Fund's actuary, whilst keeping the employer contribution rate as stable as possible. The purpose of the valuation exercise is to ensure that sums are put aside on a regular and managed basis to meet liabilities in the future. The Fund's liabilities are essentially the benefits promised to fund members (past and current contributors) and to members' dependent on their death.

From an employee perspective, members' benefits are currently guaranteed by statute and therefore not directly related to the Fund's assets. In this respect the employer is responsible for making contributions to meet any shortfall.

The latest actuarial valuation of the fund was carried out as at 31 March 2013 and set the employer contribution rates from 1 April 2014 to 31 March 2017. The full valuation report can be downloaded from the Fund's website and is discussed in some detail in the Funding Strategy Statement. The actuary has also provided a report on the Fund which can be seen in Note 19 to the Pension Fund Accounts on page 47.

The common contribution rate for employers at the 2013 valuation was 27.1% (Future Service Rate 19.4% plus Past Service Adjustment 7.7%) (2010: 20.4%). Average employee contributions were assumed to be 6.3% (2010: 6.6%).

Between the 2010 and 2013 valuation the funding position deteriorated:

- **Assets:** Although the Fund is not 100% funded on the Actuary's assumptions, the Fund exceeded its asset performance objectives over the period by £59m.
- **Liabilities:** When calculating the Fund's liabilities the Actuary will typically try to forecast when benefits will come into payment and what form these will take (demographic assumptions) and try to anticipate the size of these benefits (financial assumptions). A big driver in these calculations is the estimate of how much all these benefits will cost the Fund in today's money. This is based on government gilt yields, these have fallen over the three year period since the last valuation, pushing up the cost of liabilities by £319m having a significant impact on the total funding level.
- **Active membership profile:** The Fund membership is gradually maturing, meaning that the burden on contributing members of meeting the cost of the Fund's liabilities is becoming progressively greater. However, membership experience, such as actual pay awards versus expected pay awards have served to decrease the deficit at this valuation by around £13m.

It is important to note that significant valuation shortfalls are rarely funded in one go. The Council's strategy is to phase in its own contribution rate increases over three years, with the view of recovering the deficit over 20 years. The Council produces a Funding Strategy Statement which explains how it intends to meet those liabilities over the longer term. This is available on the Fund's website.

The next actuarial valuation will be carried out as at 31 March 2016.

7. Governance Arrangements

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.

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:-

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.

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 (Shadow) 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.

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 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

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.

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.

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.

Two training sessions were held in 2015/16 and it is proposed that further joint sessions for the Board and Committee will be held in 2016/17.

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

Business Plan

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administer the Pension Fund for approximately 69,000 individuals employed by 109 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.

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.

A bespoke training strategy and plan for this administration will be added to the BP after agreement by Members at the Pension Committee in July.

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).

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.

Committee membership and attendance

During the year ended 31 March 2016 there were 7 meetings of the Pension Committee, 4 meetings of the Pension Board and one annual employers forum.

Member attendance at committee meetings during 2015/16

2015/16 Pension Committee Members		
		Nos. of meetings attended
East Sussex County Councillors:	Richard Stogdon (Chairman)	7
	David Tutt	5
	Frank Carstairs	6
	Godfrey Daniel	7
	Bob Standley	7

Member attendance at Board meetings during 2015/16

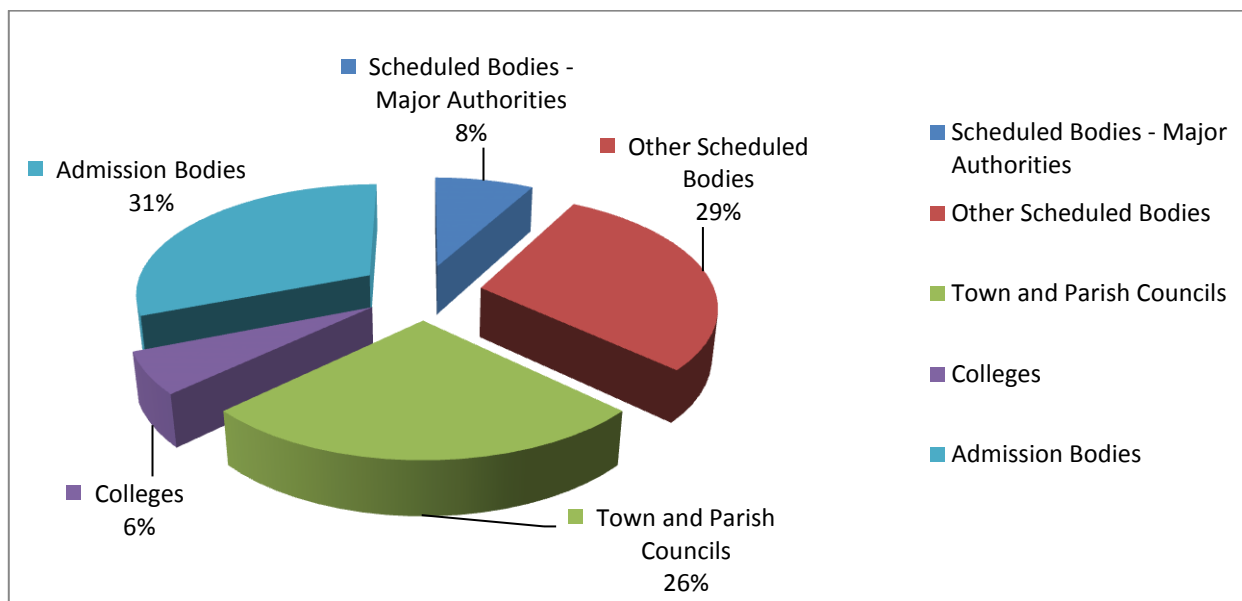
2015/16 Pension Board Members		
		Nos. of meetings attended
Independent Chaiman:	Richard Harbord	4
Employer Representative:		
Brighton & Hove City Council	Councillor Kevin Allen	4
Districts & Borough Councils	Councillor Brian Redman	4
Educational Bodies	Sue McHugh	3
Employee Representative:		
Active & Deferred	Angie Embury	4
Active & Deferred	David Zwirek	4
Pensioners	Tony Watson	2

Employer statistics by Employer type

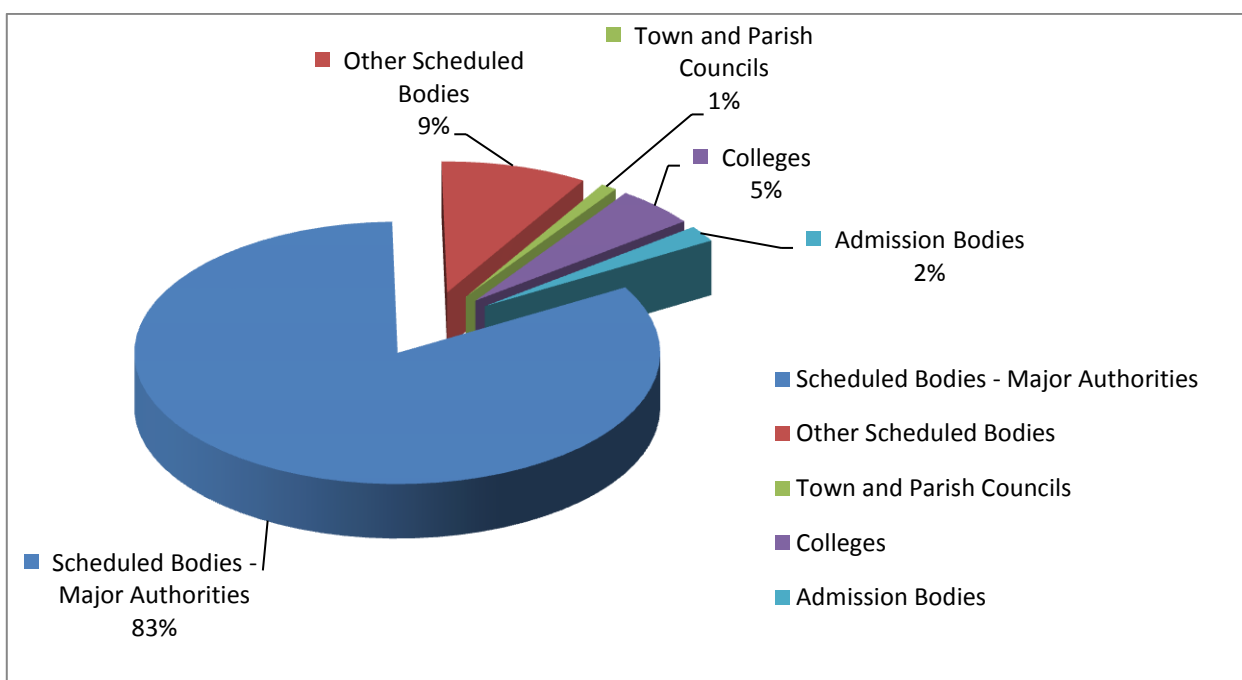
Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies - Major Authorities	8%	83%	9
Other Scheduled Bodies	29%	9%	32
Town and Parish Councils	26%	1%	28
Colleges	6%	5%	7
Admission Bodies	31%	2%	33

Note - all percentages have been rounded to the nearest whole number

Number of Employers as a percentage of total



Percentage of total fund membership



Regulatory Framework

The Annual Report

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a document known as “the pension fund annual report”. From 1 April 2014, this report must contain information about the fund on the following:

- The management and financial performance during the year;
- The authority's investment policy and a review of performance of the fund assets;
- Administration arrangements;
- A statement by the Actuary of the assets, liabilities and funding level at the most recent valuation;

- The current version of the Governance Compliance Statement;
- The Fund Account and Net Asset Statement and supporting notes and disclosures in accordance with proper practices;
- The current version of the Statement of Investment Principles;
- The current version of the Communications Statement;
- The current version of the Funding Strategy Statement; and
- Other material considered appropriate.

The Scheme and benefits available

The Local Government Pension Scheme is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972. The Local Government Pension Scheme Regulations 2013 came into force on 1 April 2014. Membership of the LGPS is open to all employees of local authorities except teachers, fire-fighters and police, who have their own separate schemes.

Pensions and entitlements are still fully protected in law. The Scheme is open to all employees under age 75, whether they work full-time or part-time. East Sussex County Council automatically enrolls all employees into the Fund, as long as they have a contract of employment of more than three months duration. Employees with a contract of employment for less than three months may now join the LGPS upon application. All members of the scheme can choose to leave at any time.

8. Fund account, net assets statement and notes

a. East Sussex Pension Fund Account

2014/15			2015/16	
£000	£000	Notes	£000	£000
		Dealings with members, employers and others directly involved in the fund		
(87,237)		Contributions		
(26,761)		From Employers	(92,259)	
		From Members	(27,904)	
	(113,998)			(120,163)
(5,592)		Transfers in from other pension funds		(3,657)
(119,590)				
111,993		Benefits		118,469
98,183		Payments to and on account of leavers		4,940
210,176				123,409
90,586		Net (additions)/withdrawals from dealings with members		(411)
10,037		Management expenses		13,465
		Returns on investments		
(26,856)		Investment income		(42,096)
621		Taxes on income		506
(341,397)		Profit and losses on disposal of investments and changes in the market value of investments		3,719
(367,632)		Net return on investments		(37,871)
(267,009)		Net increase in fund during the year		(24,817)
(2,479,540)		Add opening net assets of the scheme		(2,746,549)
(2,746,549)		Closing net assets of the scheme		(2,771,366)

b. Net Assets Statement for the year ended 31 March 2015

31 March 2015 £000		Notes	31 March 2016 £000
2,667,422	Investment assets	15	2,684,489
3,758	Other Investment balances	20	3,031
81,220	Cash deposits	15	79,059
2,752,400			2,766,579
(12,486)	Investment liabilities	21	(1,447)
10,570	Current assets	20	10,922
(3,935)	Current liabilities	21	(4,688)
2,746,549	Net assets of the fund available to fund benefits at the year end.		2,771,366

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at [Note 19](#).

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2016 and of the movements for the year then ended.

Marion Kelly
Chief Finance Officer
Business Services Department

c. Notes to the East Sussex Pension Fund Accounts for the year ended 31 March 2015

1: Description of fund

The East Sussex Pension Fund ("the fund") is part of the Local Government Pension Scheme and is administered by East Sussex County Council. The County Council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme administered by East Sussex County Council to provide pensions and other benefits for pensionable employees of East Sussex County Council, the district councils in East Sussex County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and Fire fighters are not included as they come within other national pension schemes.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the East Sussex Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 111 employer organisations within East Sussex Pension Fund including the County Council itself, as detailed below:

East Sussex Pension Fund	31 March 2015	31 March 2016
Number of employers with active members	106	109
Number of employees		
County Council	8,993	8,789
Other employees	13,695	14,578
Total	22,688	23,367
Number of pensioners		
County Council	7,671	7,987
Other employers	9,446	9,955
Total	17,117	17,942
Deferred pensioners		
County Council	12,360	13,062
Other employers	13,397	14,282
Total	25,757	27,344

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Currently, employer contribution rates range from 12.9% to 31.0% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final Pensionable salary	Each year worked is worth 1/60 x final Pensionable salary
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off -tax Free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid Paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the East Sussex Pension Fund Website.

2: Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

The Pension Fund publishes a number of statutory documents, including a Statement of Investment Principles, a Funding Strategy Statement, Governance Policy Statement, Communications Policy Statement, Employers Contributions, **Responsibilities of Key Parties**, and Statements of Compliance. Copies can be obtained by contacting the Council's Accounts and Pensions team or alternatively are available from - <http://www.eastsussex.gov.uk>

3: Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their Additional Voluntary Contributions (see below) to purchase additional scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on a receipts basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Pension Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2015/16, £1.0m of fees is based on such estimates (2014/15: £1.3m).

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the Custodian using generally accepted option-pricing models with independent market data.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

m) Additional voluntary contributions

East Sussex Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

4: Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using International Private Equity and Venture Capital Valuation Guidelines 2012. The value of unquoted private equities at 31 March 2016 was £167.4 million (£153.9 million at 31 March 2015).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

Use of Financial Instruments

The Fund uses financial instruments to manage its exposure to specific risks arising from its investments. In applying the accounting policies set out within the notes that accompany the financial statements the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the financial statements are based around determining a fair value for the alternative investments shown in the Net Asset Statement. It is important to recognise valuations for these types of investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements that involve many factors.

5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net assets statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2013 Valuation the actuary advised that: <ul style="list-style-type: none"> • A 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £253 million (9%). • A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £78 million (3%). • A 0.5% increase in the assumed prices inflation (increase in pensions) would increase the value of liabilities by approximately £197 million (7%). • A 1 year increase in assumed life expectancy would increase the liability by approximately £87 million (3%).
Debtors	At 31 March 2016, the fund had a balance of sundry debtors of £1.1 million. The fund makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable.	Where the expectation is different from the original estimate, such difference will affect the carrying value of receivables.
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £167.4 million. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the fund managers.

6: Events after the balance sheet date

There have been no events since 31 March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7: Contributions Receivable

	2014/15 £000	2015/16 £000
By category		
Employee's contributions	26,761	27,904
Employer's contributions		
Normal contributions	83,555	86,306
Deficit recovery contributions	3,104	5,085
Augmentation contributions	578	868
Total	113,998	120,163
By authority		
Scheduled bodies	62,033	71,816
Admitted bodies	9,620	5,230
Administrative Authority	42,345	43,117
Total	113,998	120,163

8: Transfers in from other pension funds

	2014/15 £000	2015/16 £000
Group transfers	719	-
Individual transfers	4,873	3,657
Total	5,592	3,657

9: Benefits payable

	2014/15 £000	2015/16 £000
By category		
Pensions	95,040	98,309
Commutation and lump sum retirement benefits	15,584	17,025
Lump sum death benefits	1,369	3,135
Total	111,993	118,469
By authority		
Scheduled bodies	61,933	67,780
Admitted bodies	3,962	3,384
Administrative Authority	46,098	47,305
Total	111,993	118,469

10: Payments to and on account of leavers

	2014/15 £000	2015/16 £000
Refunds to members leaving service	160	231
Group transfers*	95,097	759
Individual transfers	2,926	3,950
Total	98,183	4,940

EAST SUSSEX PENSION FUND REPORT AND ACCOUNTS 2015/16

During 2014/15 the Ministry of Justice (MoJ) merged the 35 probation trust pension funds into a single fund hosted within the Local Government Pension Scheme. The MoJ appointed the Greater Manchester Pension Fund (GMPF) to manage the assets and liabilities of these 35 trusts. As part of this merger the Surrey and Sussex Probation Board's assets and liabilities were transferred to the GMPF the value of this group transfer was £95m.

11: Management expenses

	2014/15	2015/16
	£000	£000
Administrative costs	1,085	1,065
Oversight and governance costs	572	741
Investment management expenses	8,380	11,659
Total	10,037	13,465

The investment management expenses above includes £482.2k (£273.4k 2014/15) in respect of transaction costs.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 15a).

The external auditor appointed to audit the fund is KPMG their fee for 2015/16 was £27k (£27k 2014/15) and this is included within oversight and governance costs. Fees include only the statutory audit of the fund and no non-audit services have been provided.

12: Investment income

	2014/15	2015/16
	£000	£000
Fixed interest securities	1,543	1,653
Index linked securities	594	800
Equity dividends	12,352	10,528
Private equity income	7	18
Pooled property investments	9,149	8,772
Pooled investments - unit trusts and other managed funds	2,672	19,885
Interest on cash deposits	524	418
Class Actions	15	22
Total	26,856	42,096

13: Taxes on income

	2014/15	2015/16
	£000	£000
Withholding tax – equities	(382)	(303)
Withholding tax – pooled	(239)	(203)
Total	(621)	(506)

14: Investment expenses

	2014/15	2015/16
	£000	£000
Management fees	8,277	11,508*
Custody fees	103	151
Total	8,380	11,659

*Includes fees deducted at source

During the year, the Pension Fund incurred fees of £2.4m (£2.4m in 2014/15) on its private equity investments, fees of £0.7m (£0.8m in 2014/15) on its infrastructure investments and fees of £0.4m (£0.3m in 2014/15) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund and have been included in the 2015/16 accounts.

15: Investments

	2014/15	2015/16
	£000	£000
Investment assets		
Fixed interest securities	180,186	191,721
Index Linked	245,968	237,433
Equities	692,429	290,442
Pooled Investments	1,033,431	1,420,022
Pooled property investments	287,569	322,775
Private equity/infrastructure	215,199	216,898
Commodities	6,842	3,613
Multi Asset	5,798	1,585
Derivative contracts:		
Forward Currency Contracts	207	1,656
	2,667,629	2,686,145
Cash deposits with Custodian	81,220	79,059
Other Investment balances (Note 20)	3,551	1,375
Total investment assets	2,752,400	2,766,579
Investment Liabilities (Note 21)	(10,973)	(1,438)
Derivative contracts:		
Forward Currency Contracts	(1,513)	(9)
Total Investment Liabilities	(12,486)	(1,447)
Net investment assets	2,739,914	2,765,132

15a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2016
	£000	£000	£000	£000	£000
Fixed interest securities	180,186	13,784	(649)	(1,600)	191,721
Index Linked	245,968	6,582	(20,709)	5,592	237,433
Equities	692,429	317,630	(685,770)	(33,847)	290,442
Pooled investments	1,033,431	388,907	(2,495)	179	1,420,022
Pooled property investments	287,569	19,969	(8,819)	24,056	322,775
Private equity/infrastructure	215,199	27,246	(38,732)	13,185	216,898
Commodities	6,842	3,080	(5,788)	(521)	3,613
Multi Asset	5,798	2,449	(1,338)	(5,324)	1,585
	2,667,422	779,647	(764,300)	1,720	2,684,489
Derivative contracts					
■ Forward currency contracts	(1,306)	15,692	(6,728)	(6,011)	1,647
	2,666,116	795,339	(771,028)	(4,291)	2,686,136
Other investment balances:					
■ Cash deposits	81,220			572	79,059
■ Other Investment Balances	3,551				1,375
■ Investment Liabilities	(10,973)				(1,438)
Net investment assets	2,739,914			(3,719)	2,765,132

	Market value 1 April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	162,880	37,219	(37,867)	17,954	180,186
Index Linked	58,659	195,656	(28,694)	20,347	245,968
Equities	596,116	120,689	(170,522)	146,146	692,429
Pooled investments	1,139,887	2,072	(198,456)	89,928	1,033,431
Pooled property investments	244,451	22,730	(14,195)	34,583	287,569
Private equity/infrastructure	181,777	29,316	(30,593)	34,699	215,199
Commodities	6,631	-	-	211	6,842
Multi Asset	3,228	6,263	-	(3,693)	5,798
	2,393,629	413,945	(480,327)	340,175	2,667,422
Derivative contracts					
■ Forward currency contracts	305	7,886	(9,824)	327	(1,306)
	2,393,934	421,831	(490,151)	340,502	2,666,116
Other investment balances:					
■ Cash deposits	80,934			895	81,220
■ Other Investment Balances	2,154				3,551
■ Investment Liabilities	(2,327)				(10,973)
Net investment assets	2,474,695			341,397	2,739,914

Transaction costs incurred during the year total £482.2k (£273k in 2013/14). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

15b: Analysis of investments (excluding derivative contracts)

	2014/15 £000	2015/16 £000
Fixed interest securities		
UK		
Corporate quoted	180,186	191,721
	180,186	191,721
Index linked Securities		
UK		
Public sector quoted	209,174	198,883
Overseas		
Public sector quoted	36,794	38,550
	245,968	237,433
Equities		
UK		
Quoted	87,439	45,010
Unquoted	10,603	8,500
Overseas		
Quoted	594,387	236,932
	692,429	290,442
Pooled funds - additional analysis		
UK		
Unit trusts	538,178	549,263
Overseas		
Unit trusts	495,253	870,759
	1,033,431	1,420,022
Pooled property investments	287,569	322,775
Private equity/infrastructure	215,199	216,898
Commodities	6,842	3,613
Multi Asset	5,798	1,585
	515,408	544,871
	2,667,422	2,684,489

15c: Investments analysed by fund manager

	Market value 31 March 2015		Market value 31 March 2016	
	£000	%	£000	%
Prudential M&G	112,502	4.1%	111,779	4.0%
East Sussex Pension Fund Cash	25,337	0.9%	54,563	2.0%
UBS Infrastructure Fund	22,081	0.8%	20,726	0.7%
Prudential Infracapital	39,237	1.4%	28,728	1.0%
Legal & General	631,265	23.1%	822,218	29.8%
M&G UK Financing Fund	10,603	0.4%	8,500	0.3%
Schroders Property	294,110	10.7%	325,867	11.8%
Harbourvest Strategies	69,800	2.5%	79,284	2.9%
Adams St Partners	85,379	3.1%	88,603	3.2%
M&G Absolute Return Bonds	67,699	2.5%	67,434	2.4%
Ruffer LLP	256,733	9.4%	240,264	8.7%
Lazard Asset Management	410,206	15.0%	-	0.0%
Newton Investment Management	249,719	9.1%	253,240	9.2%
Longview Partners	174,558	6.4%	180,739	6.5%
State Street Global Advisers	290,685	10.6%	483,187	17.5%
	2,739,914		2,765,132	

The following investments represent more than 5% of the investment assets of the scheme -

Security	Market Value 31 March 2015 £000	% of total fund	Market value 31 March 2016 £000	% of total fund
State Street Fundamental Index	290,724	10.6%	483,244	17.5%
L&G UK Equity Index	270,937	9.9%	260,786	9.4%
Newton Real Return (Pooled Fund)	250,075	9.1%	253,601	9.2%
L&G North America Equity Index	116,763	4.3%	230,151	8.3%
L&G Over 5 year Index Gilt Linked	144,327	5.3%	147,197	5.3%

15c: Stock lending

The East Sussex Pension Fund has not operated a stock lending programme since 13th October 2008.

16: Analysis of derivatives**Objectives and policies for holding derivatives**

Derivatives can be used to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

a) Futures

The scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. The fund can participate in forward currency contracts in order to reduce the volatility associated with fluctuating currency rates.

c) Options

The fund wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. During the year the fund bought equity option contracts that protect it from falls in value in the main markets in which the scheme invests.

Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£000	£000
Greater than 2 months	GBP	942	EUR	(1,197)	-	(9)
Greater than 2 months	GBP	69,410	USD	(97,790)	1,389	-
Greater than 2 months	GBP	32,573	JPY	(5,209,006)	267	-
					1,656	(9)
Net forward currency contracts at 31 March 2016						1,647
Prior year comparative						
Open forward currency contracts at 31 March 2015					207	(1,513)
Net forward currency contracts at 31 March 2015						(1,306)

17: Financial instruments**17a: Classification of financial instruments**

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (including cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2015			31 March 2016		
Market value Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Market value Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Financial Assets					
180,186	-	-	191,721	-	-
245,968	-	-	237,433	-	-
692,429	-	-	290,442	-	-
1,033,431	-	-	1,420,022	-	-
287,569	-	-	322,775	-	-
215,199	-	-	216,898	-	-
6,842	-	-	3,613	-	-
5,798	-	-	1,585	-	-
207	-	-	1,656	-	-
-	81,220	-	-	79,059	-
3,551	-	-	1,375	-	-
-	10,570	-	-	10,922	-
2,671,180	91,790	-	2,687,520	89,981	-
Financial liabilities					
(1,513)	-	-	(9)	-	-
(10,973)	-	-	(1,438)	-	-
-	-	(3,935)	-	-	(4,688)
(12,486)	-	(3,935)	(1,447)	-	(4,688)
2,658,694	91,790	(3,935)	2,686,073	89,981	(4,688)

17b: Net gains and losses on financial instruments

	31 March 2015 £000	31 March 2016 £000
Financial assets		
Fair value through profit and loss	340,180	1,620
Loans and receivables	890	673
Financial liabilities		
Fair value through profit and loss	327	(6,012)
Total	341,397	(3,719)

17c: Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

	31 March 2015		31 March 2016	
	Carrying value	Fair value	Carrying value	Fair value
	£000	£000	£000	£000
Financial assets				
Fair value through profit and loss	2,671,180	2,671,180	2,687,520	2,687,520
Loans and receivables	91,790	91,790	89,981	89,981
Total financial assets	2,762,970	2,762,970	2,777,501	2,777,501
Financial liabilities				
Fair value through profit and loss	(12,486)	(12,486)	(1,447)	(1,447)
Financial liabilities at amortised cost	(3,935)	(3,935)	(4,688)	(4,688)
Total financial liabilities	(16,421)	(16,421)	(6,135)	(6,135)

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

17d: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which East Sussex Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
Values at 31 March 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,837,623	281,259	568,638	2,687,520
Loans and receivables	78,254	11,727	-	89,981
Total financial assets	1,915,877	292,986	568,638	2,777,501
Financial liabilities				
Financial liabilities at fair value through profit and loss	99,831	(101,278)	-	(1,447)
Financial liabilities at amortised cost	(4,688)	-	-	(4,688)
Total financial liabilities	95,143	(101,278)	-	(6,135)
Net financial assets	2,011,020	191,708	568,638	2,771,366

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
Values at 31 March 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,764,750	294,505	611,925	2,671,180
Loans and receivables	91,790	-	-	91,790
Total financial assets	1,856,540	294,505	611,925	2,762,970
Financial liabilities				
Financial liabilities at fair value through profit and loss	(12,486)	-	-	(12,486)
Financial liabilities at amortised cost	(3,935)	-	-	(3,935)
Total financial liabilities	(16,421)	-	-	(16,421)
Net financial assets	1,840,119	294,505	611,925	2,746,549

18: Nature and extent of risks arising from financial instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the fund's pensions operations. Policies are reviewed regularly to reflect changes in activity and in the market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	8%
Other Bonds	9%
UK equities	17%
Global equities	20%
Pooled property investments	15%
Private Equity	29%
Infrastructure funds	20%
Absolute Return	13%
Cash	1%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset Type	Values at 31 March 2016 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Cash and Cash Equivalents	54,226	542	54,768	53,684
Investment portfolio assets:				
Index Linked	147,197	11,776	158,973	135,421
Other Bonds	179,213	16,129	195,342	163,084
UK equities	394,039	66,987	461,026	327,052
Global equities	953,271	190,654	1,143,925	762,617
Pooled property investments	325,731	48,860	374,591	276,871
Private Equity	167,888	48,687	216,575	119,201
Infrastructure funds	49,454	9,891	59,345	39,563
Absolute Return	491,108	63,844	554,952	427,264
Net derivative assets	1,647	-	1,647	1,647
Investment income due	1,358	-	1,358	1,358
Amounts receivable for sales	-	-	-	-
Amounts payable for purchases	-	-	-	-
Total assets available to pay benefits	2,765,132	457,370	3,222,502	2,307,762

Asset Type	Values at 31 March 2015 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Cash and Cash Equivalents	81,220	812	82,032	80,408
Investment portfolio assets:				
Index Linked Bonds	245,968	12,298	258,266	233,670
Other Bonds	180,186	18,019	198,205	162,167
UK equities	636,219	108,157	744,376	528,062
Overseas equities	594,387	118,877	713,264	475,510
Overseas equity unit trusts	495,254	99,051	594,305	396,203
Pooled property investments	287,569	43,135	330,704	244,434
Private equity	153,880	44,625	198,505	109,255
Infrastructure funds	61,319	9,811	71,130	51,508
Commodities	6,842	958	7,800	5,884
Multi Asset	5,798	-	5,798	5,798
Net derivative assets	(1,306)	-	(1,306)	(1,306)
Investment income due	2,010	-	2,010	2,010
Amounts receivable for sales	1,526	-	1,526	1,526
Amounts payable for purchases	(9,132)	-	(9,132)	(9,132)
Total assets available to pay benefits	2,741,740	455,743	3,197,483	2,285,997

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	As at 31 March 2015	As at 31 March 2016
	£000	£000
Cash with Custodian	81,220	79,059
Cash balances	(246)	(369)
Fixed interest securities	180,186	191,721
Total	261,160	270,411

Interest rate risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. An 100 basis point (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment adviser has advised that this is consistent with an annual one standard deviation move in interest rates, where interest rates are determined by the prices of fixed interest UK government bonds.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2016	Potential movement on 1 % change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	79,059	-	79,059	79,059
Cash balances	(369)	-	(369)	(369)
Fixed interest securities	191,721	1,917	193,638	189,804
Total change in assets available	270,411	1,917	272,328	268,494

Asset type	Carrying amount as at 31 March 2015	Potential movement on 1 % change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	81,220	-	81,220	81,220
Cash balances	(246)	-	(246)	(246)
Fixed interest securities	180,186	1,802	181,988	178,384
Total change in assets available	261,160	1,802	262,962	259,358

Income Source	Carrying amount as at 31 March 2016	Potential movement on 1 % change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits/cash and cash equivalents	418	787	1,205	(369)
Fixed interest securities	1,641	-	1,641	1,641
Total change in assets available	2,059	787	2,846	1,272

Income Source	Carrying amount as at 31 March 2016	Potential movement on 1 % change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits/cash and cash equivalents	524	810	1,334	(286)
Fixed interest securities	1,537	-	1,537	1,537
Total change in assets available	2,061	810	2,871	1,251

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the fund and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the fund's currency exposure as at 31 March 2016 and as at the previous period end:

Currency exposure - asset type	Asset value as at 31 March 2015 £000	Asset value as at 31 March 2016 £000
Overseas index linked	36,794	38,550
Overseas quoted securities	594,387	236,931
Overseas unit trusts	495,253	870,760
Total overseas assets	1,126,434	1,146,241

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be 13% (as measured by one standard deviation).

This assumes no diversification with other assets, and in particular, interest rates remain constant.

A 13% strengthening/weakening of the UK pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Values at 31 March 2015 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas Index Linked	38,550	5,012	43,562	33,538
Overseas quoted securities	236,931	30,801	267,732	206,130
Overseas unit trusts	870,760	113,199	983,959	757,561
Total change in assets available	1,146,241	149,012	1,295,253	997,229

Currency exposure - asset type	Values at 31 March 2015 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas Index Linked	36,794	4,783	41,577	32,011
Overseas quoted securities	594,387	77,270	671,657	517,117
Overseas unit trusts	495,253	64,383	559,636	430,870
Total change in assets available	1,126,434	146,436	1,272,870	979,998

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimise credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits in recent years.

Summary	Asset value as at 31 March 2015 £000	Asset value as at 31 March 2016 £000
Money market funds		
NTGI Global Cash Fund	71,519	65,378
Short term bills and notes		
UK Treasury bills	-	11,588
Bank deposit accounts		
Non NT cash accounts	6,000	-
Bank current accounts		
NT custody cash accounts	3,701	2,093
Total overseas assets	81,220	79,059

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The fund has immediate access to its pension fund cash holdings and the fund also has access to an overdraft facility for short-term cash needs. This facility is only used to meet timing differences on pension payments. As these borrowings are of a limited short-term nature, the fund's exposure to liquidity risk is considered negligible.

All financial liabilities at 31 March 2016 are due within one year.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19: Funding arrangements

The latest actuarial valuation of the fund was carried out as at 31 March 2013. The purpose of the triennial valuation is to calculate the contribution rates required to be made by each employer participating in the fund which together with investment growth will be sufficient to meet the fund's future liabilities. The 2013 valuation shows the fund has a past service deficit, being 81% funded in respect of past liabilities. This compares with 87% funded at the 2010 valuation.

East Sussex Pension Fund ("the Fund")

Actuarial Statement for 2015/16

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2014. In summary, the key funding principles are as follows:

to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;

to ensure that employer contribution rates are reasonably stable where appropriate;

to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);

to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £2,344 million, were sufficient to meet 81% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £541 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 28 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.6%	2.1%
Pay increases	4.3%	1.8%
Price inflation/Pension increases	2.5%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners*	24.2 years	26.7 years

*Figures assume members aged 45 as at the 2013 valuation.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from East Sussex County Council, the Administering Authority to the Fund.

Experience over the period since April 2013

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically placing a higher value on liabilities. The effect of this has been only partially offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened and deficits increased over the period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

20: Actuarial present value of promised retirement benefits

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the East Sussex Pension Fund, which is in the remainder of this note.

Present value of Promised Retirement Benefits

Present value of Promised Retirement Benefits (£m)	Year ended	
	31 March 2016	31 March 2015
Active members	1,858	1,893
Deferred pensions	645	732
Pensioners	1,269	1,405
Total	3,385	4,031

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £373m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2016 % p.a.	31 Mar 2015 % p.a.
Inflation / Pension Increase Rate	2.2%	2.4%
Salary Increase rate	4.2%	4.3%
Discount Rate	3.5%	3.2%

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2012 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners*	24.2 years	26.7 years

*Future pensioners are assumed to be currently aged 45 at the most recent formal valuation as at 31 March 2013.

Please note that the assumptions are identical to last year's IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11%	398
1 year increase in member life expectancy	3%	113
0.5% increase in salary increase rate	3%	128
0.5% increase in pensions increase rate	7%	263

21: Current assets

	31 March 2015 £000	31 March 2016 £000
Other Investment Balances		
Sales inc Currency	1,734	1,656
Investment Income Due	1,685	861
Recoverable Taxes	324	497
Managers Fee Rebate	15	17
Total	3,758	3,031

	31 March 2015 £000	31 March 2016 £000
Current Assets		
Contributions receivable from employers and employees	8,243	9,845
Sundry Debtors	2,327	1,077
Total	10,570	10,922

22: Current liabilities

	31 March 2015 £000	31 March 2016 £000
Investment Liabilities		
Purchases including currency	(10,645)	(9)
Managers Fees	(1,841)	(1,438)
Total	(12,486)	(1,447)

	31 March 2015 £000	31 March 2016 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(988)	(1,415)
Cash	(246)	(369)
Professional Fees	(21)	(84)
Administration Recharge	(1,173)	(1,038)
Sundry Creditors	(1,507)	(1,782)
Total	(3,935)	(4,688)

23: Additional voluntary contributions

	Market value 31 March 2015 £000	Market value 31 March 2016 £000
Prudential	14,992	14,691

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. In 2015/16 some members of the pension scheme paid voluntary contributions and transfers in of £1.686m (£1.512m 2014/15) to Prudential to buy extra pension benefits when they retire. £2.196m was disinvested from the AVC provider in 2015/16 (£1.925m 2014/15). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

24: Related party transactions**East Sussex County Council**

The East Sussex Pension Fund is administered by East Sussex County Council. Consequently there is a strong relationship between the council and the pension fund.

Each member of the pension fund committee is required to declare their interests at each meeting.

The Treasurer of the Pension Fund and members of the County Council and the Investment Panel have no material transactions with the Pension Fund.

The Council incurred costs in administering the fund and charged £1.0m to the fund in 2015/16 (£1.2m in 2014/15). The Council's contribution to the fund was £43.1m in 2015/16 (£42.3m in 2014/15). All amounts due to the fund were paid in the year. At 31 March 2016 the Pension Fund bank account was overdrawn by £0.369m. The average invested throughout the year was £4.6m (£2.7m in 2014/15) and earned interest of £0.033m in 2015/16 (£0.017m in 2014/15).

Key management personnel

The Chief financial officer of East Sussex County Council holds the key position in the financial management of the East Sussex Pension Fund.

25: Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2016 totalled £87.3m (31 March 2015: £115.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, typically over a period of between four and six years from the date of each original commitment.

At 31 March 2016 the unfunded commitment was £84.0m for private equity, and £3.4m for infrastructure. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2016.

Sussex Careers Limited – a Community Admission Body in the Fund until 12 November 2008, supplied careers advisory services on behalf of both East Sussex County Council and Brighton & Hove City Council. Sussex Careers is now in the process of being wound up, and its assets will be distributed to its creditors, including the Fund which is the major creditor. These are not sufficient to meet their deficit of approximately £3.6 million. The Fund is engaged in active dialogue with the liquidators for Sussex Careers Limited.

26: Contingent assets

Eighteen admitted body employers in the Fund hold insurance bonds to guard against the possibility of their being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. In addition to these bonds, pension's obligations in respect of 9 other admitted bodies are covered by:

- 5 guarantees by local authorities participating in the Fund;
- 2 Parent company guarantee;
- 2 deposits held by East Sussex County Council

At 31 March 2016 the Fund has invested £223.1 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £14.4 million in the M&G UK Companies Financing fund and £55.2 million in the infrastructure funds managed by UBS and M&G.

Following Rulings given by the European Court of Justice, along with a number of other local authority pension funds, the East Sussex Pension Fund is pursuing the recovery of tax paid on certain dividends. If successful this may be of material benefit to the Fund. The amount which may be recoverable is not currently quantifiable.

27: Impairment losses

During 2015/16 the fund has not recognised any impairment losses.

28: East Sussex Pension Fund – Active Participating Employers

Employer	Contribution Rate					
	2014/15		2015/16		2016/17	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	18.5%	-	19.0%	-	19.3%	249,000
East Sussex County Council	19.3%	424,000	19.3%	1,179,000	19.3%	1,999,000
East Sussex Fire & Rescue Service	18.9%	-	19.4%	-	19.9%	-
Eastbourne Borough Council	19.1%	264,000	19.1%	314,000	19.1%	367,000
Hastings Borough Council	20.6%	144,000	20.6%	194,300	20.6%	248,800
Lewes District Council	20.5%	46,500	20.5%	97,000	20.5%	151,700
Rother District Council	19.7%	307,100	19.7%	355,900	19.7%	408,300
University of Brighton	18.7%	-	18.7%	-	18.7%	-
Wealden District Council	18.0%	409,800	18.5%	427,400	19.0%	445,700
Other Scheduled Bodies						
ARK Schools Hastings	19.6%	5,960	19.6%	1,040	19.6%	-
Aurora Academies Trust	19.9%	10,600	19.9%	16,600	19.9%	18,500
Beacon Academy	20.6%	-	20.7%	4,400	20.7%	10,400
Bexhill Academy	20.7%	28,800	20.7%	25,300	20.7%	24,500
BHCC Bilingual Primary School	12.9%	5,400	12.9%	5,300	12.9%	5,200
Brighton Aldridge Community Academy	17.9%	-	18.4%	-	18.5%	4,400
Cavendish Academy	18.2%	22,300	18.2%	20,200	18.2%	17,900

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Employer	Contribution Rate					
	2014/15		2015/16		2016/17	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
City Academy Whitehawk	21.6%	1,590	21.6%	280	21.6%	-
Diocese of Chichester Academy Trust	26.4%	-	26.4%	-	26.4%	-
Eastbourne Academy	19.4%	-	19.9%	-	19.9%	4,700
Eastbourne Homes Ltd	17.5%	-	18.0%	-	18.5%	-
Gildredge House Free School	16.6%	7,200	16.6%	6,700	16.6%	6,200
Glyne Academy	23.4%	-	23.4%	-	23.4%	-
Hailsham Academy	17.3%	23,800	17.3%	20,800	17.3%	17,600
Hailsham Primary Academy	-	-	22.0%	-	22.0%	-
King Church of England Free School	13.7%	980	13.7%	960	13.7%	930
Marshlands Academy	18.9%	2,200	18.9%	2,300	18.9%	2,400
Newhaven Primary Academy	-	-	22.0%	-	22.0%	-
Ore Village Primary Academy	16.6%	7,510	16.6%	6,540	16.6%	5,470
Pebsham Academy	17.2%	4,300	17.2%	3,500	17.2%	2,700
Portslade Aldridge Community Academy	18.2%	1,100	18.2%	6,600	18.2%	12,700
Ratton Academy	20.6%	-	21.1%	-	21.6%	-
Ringmer Academy	18.8%	-	19.3%	-	19.8%	-
Rye Multi Academies Trust	24.0%	-	23.5%	-	23.0%	-
Seaford Academy	21.6%	12,300	21.6%	9,100	21.6%	6,300
Seahaven Academy	19.3%	5,800	19.3%	6,100	19.3%	6,400
Surrey & Sussex Probation Board	18.1%	62,000	-	-	-	-
The Hastings Academies Trust	18.6%	-	19.1%	-	19.6%	-
The SABDEN Multi Academy Trust	-	-	25.6%	-	25.6%	-
Torfield & Saxon Mount Academy Trust	20.6%	-	21.1%	-	21.6%	-
UTC@ Harbourside	-	-	22.0%	-	22.0%	-
White House Academy	16.0%	1,600	16.0%	1,700	16.0%	1,700
William Parker Academy	19.6%	5,120	19.6%	-	19.6%	-
Town and Parish Councils (pool)						
Battle Town Council	20.1%	-	20.6%	-	21.1%	-
Chailey Parish Council	20.1%	-	20.6%	-	21.1%	-
Chiddingly Parish Council	20.1%	-	20.6%	-	21.1%	-
Conservators of Ashdown Forest	20.1%	-	20.6%	-	21.1%	-
Crowborough Town Council	20.1%	-	20.6%	-	21.1%	-
Ewhurst Parish Council	20.1%	-	20.6%	-	21.1%	-
Fletching Parish Council	20.1%	-	20.6%	-	21.1%	-
Forest Row Parish Council	20.1%	-	20.6%	-	21.1%	-
Hailsham Town Council	20.1%	-	20.6%	-	21.1%	-
Hartfield Parish Council	20.1%	-	20.6%	-	21.1%	-
Heathfield & Waldron Parish Council	20.1%	-	20.6%	-	21.1%	-
Hurst Green Parish Council	20.1%	-	20.6%	-	21.1%	-
Lewes Town Council	20.1%	-	20.6%	-	21.1%	-
Maresfield Parish Council	20.1%	-	20.6%	-	21.1%	-
Newhaven Town Council	20.1%	-	20.6%	-	21.1%	-
Newick Parish Council	20.1%	-	20.6%	-	21.1%	-
Peacehaven Town Council	20.1%	-	20.6%	-	21.1%	-
Pett Parish Council	20.1%	-	20.6%	-	21.1%	-
Plumpton Parish Council	20.1%	-	20.6%	-	21.1%	-
Polegate Town Council	20.1%	-	20.6%	-	21.1%	-
Ringmer Parish Council	20.1%	-	20.6%	-	21.1%	-
Rye Town Council	20.1%	-	20.6%	-	21.1%	-
Salehurst & Robertsbridge Parish Council	20.1%	-	20.6%	-	21.1%	-
Seaford Town Council	20.1%	-	20.6%	-	21.1%	-
Sussex Inshore Fisheries & Conservation Authority	20.1%	-	20.6%	-	21.1%	-
Telscombe Town Council	20.1%	-	20.6%	-	21.1%	-

EAST SUSSEX PENSION FUND REPORT AND ACCOUNTS 2015/16

Employer	Contribution Rate					
	2014/15		2015/16		2016/17	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
Uckfield Town Council	20.1%	-	20.6%	-	21.1%	-
Westham Parish Council	20.1%	-	20.6%	-	21.1%	-
Willingdon & Jevington Parish Council	20.1%	-	20.6%	-	21.1%	-
Colleges						
Bexhill College	17.0%	-	17.5%	-	18.0%	-
Brighton, Hove & Sussex Sixth Form College	17.0%	-	17.5%	-	18.0%	-
City College, Brighton	17.4%	42,000	17.4%	68,000	17.4%	96,000
Plumpton College	17.0%	-	17.5%	-	18.0%	-
Sussex Coast College	17.5%	-	18.0%	-	18.4%	2,700
Sussex Downs College	16.0%	-	16.5%	-	17.0%	-
Varndean Sixth Form College	17.0%	-	17.5%	-	18.0%	-
Community Admission Bodies (Open) & Pre-2000 Admission Bodies (Open)						
Amicus Horizon	17.5%	310,000	17.5%	388,000	17.5%	472,000
East Sussex Energy, Infrastructure & Development Ltd (ESEID)	22.1%	-	21.2%	-	20.4%	-
Hastings Business Operations Limited (HBOL)	17.2%	-	18.6%	-	20.0%	-
Sussex Housing & Care	20.0%	59,300	20.0%	123,700	20.0%	193,500
Community Admission Bodies (Closed) & Pre-2000 Admission Bodies (Closed)						
Brighton Dome & Festival	31.0%	-	31.0%	-	31.0%	-
Care Quality Commission	21.3%	-	21.8%	-	22.3%	-
De La Warr Pavilion Charitable Trust	25.1%	-	27.0%	1,900	27.0%	5,500
Hove & Portslade CAB	21.5%	-	21.5%	-	21.5%	-
Sussex Archaeological Society	24.2%	31,400	24.2%	35,600	24.2%	40,100
Sussex County Sports Partnership	15.8%	-	15.8%	-	15.8%	-
University of Sussex	30.9%	112,700	-	-	-	-
Other Admission Bodies						
Accent Catering Services Ltd	21.4%	-	21.4%	-	21.4%	-
Amey	22.9%	-	19.1%	-	15.2%	-
BHCC - Peyton and Byrne	21.1%	-	-	-	-	-
Curchill - Cavendish	26.2%	200	-	-	-	-
Churchill Contract Services	-	-	23.3%	-	26.0%	-
Civica ICT - William Parker	15.9%	-	15.9%	-	15.9%	-
Eastbourne Homes - SEILL	22.6%	-	22.6%	-	22.6%	-
Eastbourne Leisure Trust	20.9%	-	21.2%	11,700	21.2%	25,000
EBC - Towner	19.2%	-	19.2%	-	19.2%	-
Eden Foodservice	19.3%	-	16.1%	-	13.0%	-
Education Futures Trust	21.9%	-	21.9%	-	-	-
ESCC - Care at Home	21.5%	-	-	-	-	-
ESCC - Care at Home	-	-	27.4%	-	27.4%	-
ESCC - Churchill	20.7%	-	-	-	-	-
ESCC - Health Management Ltd (HML)	20.0%	-	20.0%	-	20.0%	-
ESCC - John O'Conner Ltd	19.9%	1,600	16.8%	-	13.0%	-
ESCC - NSL Limited	24.3%	-	23.9%	-	23.5%	-
European Electronique Ltd	14.5%	14,700	-	-	-	-
May Gurney Ltd	22.8%	-	24.7%	-	25.4%	3,000
Mears Ltd	24.9%	5,200	24.9%	25,400	24.9%	47,300
MyTime Active Ltd	20.1%	3,400	20.1%	10,900	20.1%	19,000
Sussex Community Development Association Ltd (SCDA)	-	-	26.4%	-	26.4%	-
Wealden Leisure - Portslade Sports Centre	-	-	17.4%	-	17.4%	-
Wave Leisure Trust Ltd	18.8%	-	20.9%	13,100	20.9%	56,300
Wave Leisure - Newhaven Fort	-	-	27.6%	-	27.6%	-

Employer	Contribution Rate					
	2014/15		2015/16		2016/17	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
WDC - ISS Limited	26.4%	-	26.4%	-	26.4%	-
WDC - Kier	24.8%	-	24.4%	-	24.0%	-
WDC - Richardson	21.8%	-	21.0%	-	20.3%	-
WDC - Wealden Leisure	22.1%	17,600	22.1%	111,200	22.1%	212,900
BHCC - Wealden Leisure	20.1%	-	22.6%	4,000	22.6%	19,000
White Rock Theatre	22.4%	8,500	22.4%	18,600	22.4%	29,700

29: Investment Performance

The County Council uses an independent Investment performance measurement service, provided by the WM Company which measures the performance of the Fund compared with 85 other local authority pension funds. Pension Fund investment is a long term business so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	1.6	7.4	7.3	
Benchmark	0.4	5.9	5.9	
Relative	1.2	1.4	1.3	

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	1.6	7.4	7.3	
Local Authority Average	0.6	6.6	7.1	
Relative	1.1	0.8	0.2	

The Fund outperformed the average local authority fund over the year by 1.1% (1.6% outperformance 2014/15), ranking the East Sussex Fund in the xx percentile (22nd 2014/15) in the local authority universe. Over three years the fund outperformed by 0.8% (0.1% outperformance 2014/15) and was placed in the xx percentile (44th 2014/15). Over five years the fund outperformed by 0.2% (0.3% underperformance 2014/15) and was placed in the xxth percentile (67th 2014/15). Over ten years the fund relative performance was in line with the local authority fund average x.x% (0.0% 2014/15) and was placed in the xxth percentile (50th 2014/15).

Relative performance is calculated on a geometric basis as follows:

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

As opposed to the simpler arithmetic method the geometric method makes it possible to directly compare long term relative performance with shorter term relative performance.

30: Agency Services

The East Sussex Pension Fund pays discretionary awards to former employees on behalf of some employers in the Fund. The amounts paid are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below.

	2014/15 £000	2015/16 £000
East Sussex County Council		
Total		

9. Funding strategy statement

The Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS is prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013, CIPFA guidance and in collaboration with the Fund's actuary, Hymans Robertson LLP, after consultation with the Fund's employers and investment adviser. The FSS sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years);
- actuarial factors for valuing individual transfers, early retirement costs and costs of buying added service; and
- the Fund's Statement of Investment Principles

10. Statement of investment principles

The Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2009 require administering authorities of pension funds to prepare, maintain and publish a written statement setting out the investment policy for their Fund they must consult with persons they deem appropriate when drawing up their statements. Any material change in investment policy must be included in a revised Statement of Investment Principles (SIP) within six months of the change. The statement also covers the extent to which social, environmental and ethical considerations (see below) are taken into account in the selection, retention and realisation of investments and a summary of the policy (if any) in relation to the exercise of the rights (including voting rights) attaching to investments. The East Sussex Pension Fund statement was first published in May 2000 and is reviewed annually (updated copies are available on the website).

Social, environmental and ethical considerations

The Fund keeps under review the issues surrounding socially responsible investment and has adopted an 'Active Shareholder Approach' to encourage companies to adopt best ethical and environmental principles without jeopardizing 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 their specific restrictions set out in the Fund's Policy Guidelines in order to achieve their performance targets. However 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
- Environmental standards

Compliance with the updated Myners Principles

The original Myners Review in 2001 established ten principles of investment for defined benefit schemes. In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into six new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers.

The Pensions Committee has set out details of the extent which the Fund complies with these six principles set on a 'comply or explain' basis. This compliance statement is included in the Fund's Statement of Investment Principles.

11. Communications policy statement

The Local Government Pension Scheme Regulations 2013 (Regulation 61) requires each pension fund administering authority to prepare and publish a policy statement setting out its approach to communicating with scheme members, representatives of members, prospective members and scheme employers.

The East Sussex Pension Fund policy statement sets out our existing communication activities.

This Policy can be seen on the East Sussex County Council Website.

12. External auditors report

Independent auditor's report to the members of East Sussex County Council on the pension fund financial statements published with the Pension Fund Annual Report

To Follow

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

28 July 2015

Report to: Pension Board

Date: 12 May 2016

By: Chief Operating Officer

Title: Internal Dispute Resolution Procedure (IDRP)

Purpose: To outline the IDRP process and give details of the Stage 1 and Stage 2 procedures

RECOMMENDATION -

The Board is recommended to note the Internal Dispute Resolution Procedure.

1. Background

1.1 Under Regulation 74 of the Local Government Pension Scheme Regulations 2013, any person whose rights or liabilities under the scheme are affected by a decision or any other act or omission by a scheme employer or administering authority may apply to have the decision reviewed.

2. Internal Dispute Resolution Procedure (IDRP)

2.1 The internal dispute resolution procedure (IDRP) is a statutory part of the Scheme and applies to both employers and the administering authority. The main features of the arrangements are:

- Responsibility for determinations under Stage 1 of the procedure (arrangements for the determination of disputes) is to be vested in a “specified person”. At this stage, the adjudicator will look at the case afresh and provide their decision
- Responsibility for determinations under Stage 2 of the procedure rests with the Administering Authority’s Appointed Person. At this stage the appointed person will reconsider the decision made.

3. Who can use the Internal Dispute Resolution Procedures?

3.1 The guidance describes our formal procedures for settling complaints and explains why they have been set up. We hope that most problems can be dealt with informally but recognise that sometimes this is not possible.

- Current members of the pension scheme
- Former members who have deferred benefits in the scheme
- Members receiving a pension from the scheme
- Widows, widowers, surviving civil partners or dependents of deceased members

4. Conclusion and recommendations

4.1 If the Member is still dissatisfied with the decision after stage 1 and 2 have been completed, the Member can appeal to the Pensions Ombudsman.

4.2 It is recommended the Board note the updated IDRP guide.

KEVIN FOSTER
Chief Operating Officer

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

Background Documents

None

Local Government Pension Scheme

Internal Dispute Resolution Procedure (IDRP)

Scheme members' guide: What to do if you have a complaint: and the rules for settling disputes

Summary

This guide is to help you to understand and use the Local Government Pension Scheme (the scheme) rules for settling complaints. For the purpose of this guide we will call these rules 'the dispute rules'.

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Introduction

If you are a member of the scheme or the dependant of a person who was a member, you can use the dispute rules to settle any disagreement or complaint you may have about the decisions that have been made about you under the scheme rules. The next section explains what we mean by 'decisions'.

You can also use the dispute rules to help to settle any complaint you may have about the way your case has been dealt with, but please read the section headed 'Complaints about maladministration' on page 4.

Many issues can however be resolved informally following discussions with your employer or the County Council as the pension scheme administrator. They may be caused by misunderstandings or wrong information, which can be explained or put right easily. An informal enquiry of this kind may save you a lot of time and trouble.

If you are not sure which scheme benefits you are entitled to, or you have a problem with your scheme benefits, please either phone the number on the letter your employer or the County Council's Pensions Team sent you.

You can contact the County Council's Pensions Team

In writing – 

East Block, F Floor
County Hall, Lewes
East Sussex,
BN7 1UE

by telephone on 01825 744544



or via email at escc.pensions@sesharedservices.org.uk.



Your enquiry will be dealt with as quickly and efficiently as possible.

Decisions

From the day you start a job with an employer who is in the scheme, both your employer and East Sussex County Council (the administering authority that looks after the Fund your employer is in) have to make decisions under the scheme rules that affect you and possibly your dependants.

Once you are a member of the scheme, decisions will continue to be made about such things as the rate of contributions you must pay and what pay they must be based on; whether and, if so, how much you can pay in extra contributions to improve your benefits and, if you have been in the scheme before, how your previous membership counts and the effect new membership has on any pension you may already be getting from the scheme.

When you leave the scheme your employer and your administering authority will make further decisions about the benefits you can expect, what pay they are to be based on and what membership counts for them. When you die, they will decide what death benefits can be paid, who they can be paid to and how much they will be.

How and when you should be told about decisions

Every time your employer or administering authority makes a decision about you under the scheme rules they must write to you as soon as they can to tell you about it. If the decision is that you are not entitled to a pension scheme benefit they must also tell you why they have reached that decision. If their decision is about the amount of your pension scheme benefit, they must tell you how they have worked it out. They must also tell you where you can apply for further information and give you the name, address and job title of the person appointed by them to consider any complaint you may wish to make. In the scheme rules this person is the 'adjudicator'.

When you die they must give similar details to your surviving dependants about any benefits they become entitled to.

The formal complaint procedure has two stages. Many complaints are resolved at the first stage. Any complaint you make should be treated seriously, and considered thoroughly and fairly.

At any stage during the formal complaint procedure you can contact the Pensions Advisory Service (TPAS) for information and advice (see the "What TPAS Can Do To Help" section on page 11).

What to do when you are told of a decision

When you (or your dependants) are told of a decision you should check, as far as you can, to see if you think it is based on the right details and that you agree with it.

If you are not happy with the decision you have the right under the dispute rules to have the decision looked at afresh at the first stage by the adjudicator, and if you are not happy with their decision, have it reviewed at the second stage by East Sussex County Council. If you are still unhappy following the County Council's decision, you can then take your case to the Pensions Ombudsman.

You also have the right to use the dispute rules if your employer or the County Council should have given you a decision but you have not been given one.

There is no charge made for investigating any complaint at any stage under the dispute rules - the only expenses you will have to meet are those of your own (or your representative's) in relation to time, stationery and postage.

For complaints against your employer, you should write to your employer / former employer

Only if your complaint is against a decision made by East Sussex Pension Fund should you write to East Sussex County Council.

It is recommended that you use the Application Form as it will help you to include all the required details

Complaints about maladministration

It may be that your complaint is about something other than a decision that has to be made in relation to your pension scheme benefits. For example, if you feel that there has been some maladministration in the way your case has been dealt with.

The following are some examples of maladministration:

- Unreasonable delays in letting you know about or paying your pension benefits.
- Failure to let you know about changes in your pension entitlement or changes in the scheme rules that may affect you.
- Failure to give you adequate or timely information that you need to enable you to make informed decisions about your rights and benefits in the scheme.

If you feel you have suffered due to maladministration you **must** first use the dispute rules for this type of complaint but, even if the adjudicator or your administering authority decides that there has been maladministration, neither of them has the power to award compensation for any loss you feel you may have suffered. However, you will then be able to take your complaint to the Pensions Ombudsman (see page 12) who does have the power to award compensation in such cases.

Who can use the dispute rules?

You have the right to use the dispute rules if:

- You are **a member of the scheme**. This includes members who are paying into the scheme and those who have now left but who get a pension from the scheme or whose benefits are preserved in the scheme or who simply have some membership left in the scheme, or
- You are **a prospective member of the scheme**. This means that, though you are not a member now you could become one by opting in, or by your employer bringing you in or agreeing to let you join, or by simply staying in your job for a long enough period of time, or
- You are **the widow, widower, child or other dependant** of a person who fell into one of the categories above before he or she died, or
- You are **a pension credit member** or are a person entitled to a pension credit, or

- You think that you either might or ought to fall into one of the above categories, or
- You do not fall into one of the above categories now but you did at some time during the last six months.

Using someone else to represent you

Under the dispute rules, you can if you wish ask someone else to make and carry on your complaint for you. A trade union representative or an adult son or daughter will often be happy to help in this way. You will however need to give the person you choose your written authority to act for you by signing a simple statement to that effect.

If the complaint is about any benefits due in relation to your death, your personal representative (the person dealing with the estate) can make and carry on the complaint.

If the person who is entitled to make the complaint is a child, or is for some other reason not capable of making and carrying on the complaint him or herself, the complaint can be made and carried on by a member of his or her family or by another suitable person.

Stage One of the Dispute Rules - Applying to the Adjudicator

The adjudicator

The adjudicator is not necessarily completely independent of employers or East Sussex County Council. The adjudicator could be an employee of one of them. However, the role of an adjudicator is to deal with complaints in an unbiased way *as an individual*, not as an employee or agent of the County Council or employer. So, when dealing with a complaint the role of the adjudicator, is to *act independently* and make the decision purely on the facts of the case as they appear.

To help maintain the adjudicator's personal independence, they are not allowed to deal with a complaint if they had anything to do with making the original decision that is complained about. In a case like that, the complaint will have to be sent to another adjudicator to deal with.

When the adjudicator receives a complaint they must gather all the facts relevant to the complaint, taking advice from professionals (such as doctors and actuaries) as necessary and seeking the views of both the complainant and the Pensions Team the County Council or the employer. He or she must then look at all the facts and the relevant scheme rules and decide whether or not the original decision was correct. If the adjudicator decides that the decision was not correct they must give a new decision of their own which will override and replace the original decision made by the employer or County Council as the administering authority.

Some decisions are made by employers or the County Council 'in the exercise of discretions'. This means that they have a choice about the decision they make rather than simply looking at the scheme rules and deciding how they apply.

If you make a complaint about a discretionary decision, the adjudicator will investigate it in the same way as any other complaint but, in this case, the adjudicator has no power to overturn the decision. What the adjudicator has to do however, is to ensure that the discretion has been exercised reasonably and to insist on the decision being reconsidered, with account being taken of all proper considerations, if they find that it was not taken in a reasonable and transparent manner in the first place.

When to apply to the adjudicator

If you want to use the dispute rules you must make your complaint to the person appointed by the body that took the decision against which you wish to complain. If you go straight to the County Council or the Pensions Ombudsman they will simply refer you back to the decision making body.

You must make your application to the adjudicator within 6 months after you were told of the decision you are complaining about. If your complaint is that a decision was not made, you must make your application within 6 months of the time the decision ought to have been made. You should not therefore leave things too long before writing to the adjudicator. If you have not had a reply to an informal enquiry in a reasonable length of time, you should make your formal complaint to the adjudicator without waiting any longer for a reply.

The adjudicator can extend the 6 months' time limit for a reasonable period where there are special circumstances.

How to apply to the adjudicator

Your application to the adjudicator **must** be in writing. You can apply directly to the adjudicator at the address given in the decision letter from your employer or from the County Council's Pensions Team. Or if, for example, your complaint is that a decision has not been made, you can write to the County Council's Pensions Team and ask them to pass your application on to an adjudicator.

It is recommended that you use the Application Form as it will help you to include all the required details.

What details the adjudicator needs from you

In all cases you must explain your complaint as fully as you can and provide copies of any documents you think may be helpful. Ideally you should provide a copy of the letter or notice from your employer or from the County Council's Pensions Team telling you about that decision.

If you are the scheme member or prospective member, you must state in your application

- your full name
- your address
- your date of birth
- your National Insurance number
- the full name of your employer. (If you are employed by a council, this should be the name of that council, not the department you work in).

If you are the spouse, child or other dependant of the scheme member you must state in your application

- your full name
- address
- date of birth
- relationship to the member
- the member's full name
- address
- date of birth
- national insurance number
- former employer's name

If you are the member's or the dependant's representative you must state in your application the member's or dependant's details as above together with your own name and address and the appropriate address for correspondence. You must also send evidence of your authority to act for the complainant.

Finally, either you as the complainant or your representative on your behalf must sign the application.

Further information you may be asked to provide

The adjudicator may need to write to you to ask you for more information or explanation to ensure that he or she understands your complaint and is able to make a proper decision.

If the state of your health has a bearing on your complaint, you may also be asked to attend a medical examination or to give consent for your medical records to be released to a doctor chosen by the adjudicator. You will not have to pay any medical charges.

When you can expect the adjudicator's decision

The adjudicator should either give you a decision within two months of receiving your written complaint or write to you at the end of two months telling you the reasons for the delay in reaching a decision. He or she will also inform you of the date he or she expects to be able to let you know the outcome.

If you get neither a letter giving the adjudicator's decision nor a letter giving the reason for the delay within three months from the date you made your application or if you don't receive the adjudicator's decision within one month of the date given in the initial communication to let you know the decision, you can apply directly to East Sussex County Council without waiting any longer. (See 'Stage two of the dispute rules – applying to East Sussex County Council').

What the adjudicator must tell you

The adjudicator must write to you (or your representative) to let you know their decision. He or she must also write to your employer if they made the decision complained of, and to your administering authority. In this letter the adjudicator must state:

- What the decision is. The adjudicator could either confirm the original decision or replace that decision with a new decision of his/her own, and
- the particular scheme rules taken into account in reaching that decision, and
- that you and the body that took the original decision against which you are complaining about, each have the right to ask your administering authority to review the adjudicator's decision within the next 6 months.

What power the adjudicator's decision has

The adjudicator's decision is binding on all parties. This means that, if the adjudicator's decision is contrary to that of the body that took the original decision, they must deal with your case on the basis of the decision made by the adjudicator.

Stage Two of the Dispute Rules - Applying to your Administering Authority

You can ask the pension scheme administering authority (East Sussex County Council) to take a fresh look at your complaint in any of the following circumstances:

- you are not satisfied with the adjudicator's first-stage decision,
- you have not received a decision or an interim letter from the adjudicator, and it is 3 months since you lodged your complaint,
- it is one month after the date by which the adjudicator told you (in an interim letter) that they would give you a decision, and you have still not received that decision.

This review must not be undertaken by a person involved in the first stage decision.

For the purposes of stage two of the pension dispute procedure in the East Sussex Pension Fund the person responsible for the LGPS is:-

Mr Philip Baker

Assistant Chief Executive
East Sussex County Council
County Hall,
St Anne's Crescent
Lewes
East Sussex
BN7 1UE

It is recommended that you use the Application Form as it will help you to include all the required details

Who Can Apply To The Administering Authority?

If you are unhappy with the adjudicator's decision in stage one of the disputes procedure you can ask East Sussex County Council as the administering authority to take a further look at the facts of the case.

When a complaint is made to East Sussex County Council, the adjudicator will be asked for copies of all the evidence, correspondence and other documents obtained during the investigation under stage one of the disputes procedure. East Sussex County Council will also gather whatever other information, views and professional advice they think necessary.

A second decision must then be made on the basis of the scheme rules, and taking due account of the facts and evidence they have obtained, whether or not the adjudicator's decision was correct. If it is decided that it was not, the second decision must replace the adjudicator's decision.

As is the case for adjudicators (see page 6), if the original decision was made in the exercise of a discretion and East Sussex County Council decides that it was not taken in a reasonable manner, they can only insist on the body that took the decision which you are complaining about reconsider its decision - they cannot replace the original decision with a decision of their own.

When and how to apply to East Sussex County Council

If you want to refer your complaint under stage 2 of the dispute rules to East Sussex County Council you must do so within 6 months of the date of the adjudicator's letter telling you of their decision under stage one of the dispute rules. If you are referring your complaint to East Sussex County Council because you have not had a reply from the adjudicator within the appropriate time limits you should do it as soon as you can after the adjudicator's time limit is up. You should make your application to East Sussex County Council in writing.

What East Sussex County Council needs from you

East Sussex County Council will need the same personal details about you or your representative and/ or the scheme member as the adjudicator required:

If you are the scheme member or prospective member, you must state in your application

- your full name
- address
- date of birth
- national insurance number
- and the full name of your employing authority. (If you are employed by a council, this should be the name of that council, not the department you work in.)

If you are the spouse, child or other dependant of the scheme member you must state in your application

- your full name
- address
- date of birth
- relationship to the member

and the member's

- full name
- address
- date of birth
- national insurance number
- former employer's name.

If you are the member's or dependant's representative you must state in your application the member's or dependant's details as above together with your own name and address and the appropriate address for correspondence. You must also send evidence of your authority to act for the complainant.

You must enclose a copy of the letter you got from the adjudicator telling you of the decision about your complaint. You must also state in your letter to East Sussex County Council that you wish them to reconsider the adjudicator's decision and explain why you are unhappy with the adjudicator's decision.

As with complaints to the adjudicator, it is possible that East Sussex County Council will write to you to ask for more information so that they can fully understand your complaint, or if your health is a factor in the complaint, that they will ask you to attend a medical examination or consent to the release of your medical details to another doctor.

When you can expect a decision from East Sussex County Council?

East Sussex County Council must write to you to let you know their decision within two months of the date your complaint is received or they must write to you at the end of two months to let you know when a decision is likely to be reached and the reason for the delay.

What East Sussex County Council must tell you

When East Sussex County Council writes to let you know the decision they must also tell you whether their decision confirms or replaces the adjudicator's decision and must tell you the particular scheme rules used in reaching the decision.

They must also point out that both the Pensions Advisory Service (TPAS) and the Pensions Ombudsman are able to assist with problems to do with the scheme that have not been resolved under the dispute rules. You must also be given the addresses of TPAS and the Pensions Ombudsman.

What the Pensions Advisory Service (TPAS) can do to help

TPAS offer a free service to assist all members of pension schemes. They have local advisors who can help to explain and obtain more information about your pension for you.

If you would like the Pensions Ombudsman to consider a complaint, you should normally contact TPAS first. If TPAS cannot sort out your problem themselves and they believe that there has been some maladministration or that a decision made by East Sussex County Council is wrong, they will possibly recommend that you make a formal complaint to the Ombudsman.

At any time if you are having difficulties in resolving your complaint, you may wish to contact TPAS.

TPAS can provide free advice and information to explain your rights and responsibilities. To get information or guidance, you can look at the website on www.pensionsadvisoryservice.org.uk or you can contact TPAS by phone, post, email or fax.

The Pensions Helpline phone number is: 0300 1231047

Lines are manned Monday to Friday 9am to 5pm.

Outside of these times, you can leave your number and someone will phone back later.

You can write to: TPAS
11 Belgrave Road
London
SW1V 1RB

Alternatively, you can use the online query form on the TPAS website.

Applying to the Pensions Ombudsman

Applications to the Pensions Ombudsman can only be made after you have used stage one and stage two of the dispute resolution procedure

The Pensions Ombudsman can investigate complaints of maladministration or disputes of fact or law about decisions that have been made about your pension but you must go through the procedures laid down in stages one and two of the disputes rules first. This means that you must first take your complaint to the adjudicator and then to East Sussex County Council before the Pensions Ombudsman will investigate it.

The Pensions Ombudsman can also investigate complaints or disputes about the handling of a case either by the adjudicator or East Sussex County Council.

The Pensions Ombudsman's address is:

11 Belgrave Road,
London
SW1V 1RB,

telephone 020 76302200

Email – enquiries@pensions-ombudsman.org.uk

Time limits under the Internal Dispute Resolution Procedure

Stage of the Procedure	Person responsible	Time limit
You have received a decision on your benefits under the pension scheme from your employer/administering authority, and there seem to be good grounds for complaining.	The adjudicator under the first stage of the procedure.	6 months from the date when you were notified of the decision ¹
You have received a first stage decision on your complaint from the adjudicator, but you are not satisfied.	The relevant administering authority under the second stage of the procedure.	6 months from the date of adjudicator's decision
You made your complaint in writing to the adjudicator, with all the information they needed but, 3 months later, you have not received their decision on your complaint or any interim reply.	The relevant administering authority under the second stage of the procedure.	9 months from the date when you submitted your complaint.
You received an interim reply to your complaint to the adjudicator, within 2 months of applying to them. Their reply promised you a decision by a specified date but, one month after the specified date, you still have not received their decision.	The relevant administering authority under the second stage of the procedure.	7 months from the date by which you were promised you would receive a decision
Your complaint is that your employer or administering authority have failed to make any decision about your benefits under the pension scheme	The adjudicator under the first stage of the procedure	6 months from the date when the employer or administering authority should have made the decision ² .
Your complaint went to the administering authority under the second stage of the procedure. You received their decision but you are still not satisfied.	The Pensions Ombudsman. (Note that the Ombudsman will normally expect you to have asked TPAS for help first.)	3 years from the date of the original decision about which you are complaining.

Stage of the Procedure	Person responsible	Time limit
You received an interim reply to your second stage complaint to the administering authority, within 2 months of applying to them. Their reply promised you a decision by a certain date but, by that date, you still have not received their decision	The Pensions Ombudsman. (Note that the Ombudsman will normally expect you to have asked TPAS for help first.)	3 years from the date of the original decision about which you are complaining.

¹

The adjudicator can extend the 6 month time limit for a reasonable period where there are special circumstances.

²

The adjudicator can extend the 6 month time limit for a reasonable period where there are special circumstances.

Dispute Resolution Application Form (Stage one)

Please use this form to: apply to the adjudicator at stage one of the internal dispute resolution procedure if you want them to investigate a complaint concerning your pension;

YOUR EMPLOYER/FORMER EMPLOYER

My disagreement is with a decision made by -
(tick one box only)

The employer named above

☐

East Sussex Pension Fund

☐

1. Member's details (to be completed in all cases)

Full Name	
Address	
Date of Birth	
National insurance number	

2. Dependant's details:

If you are the member's dependant and the complaint is about a benefit for you, please give **your** details here.

Full Name	
Address	
Date of Birth	
Relationship to member	

3. Representative's details:

If you are the member's or dependant's representative, please give your details in this box.

Full Name	
Address	
The address response letter should be sent to	

4. Your complaint

Please give full details of your complaint below. Please try to explain exactly why you are unhappy, giving any dates or periods of scheme membership that you think are relevant.

5. Your signature

I would like my complaint to be considered and a decision to be made about it.

I am the (* delete as appropriate)

Scheme member/former member/prospective member *

Dependant of a former member *

Member's representative/dependant's representative *

I am dis-satisfied with the decision made in respect of my LGPS pension entitlement and request that the decision is reviewed by the adjudicator appointed by my employer.

Signed:..... Date:.....

Please remember to enclose a copy of any notification of the decision you are complaining of which has been issued by the employer or East Sussex Pension Fund. Also enclose any other letter or notification that you think might be helpful.

PLEASE SEND THIS FORM TO:

The adjudicator specified by the body making the decision to which you are complaining about.

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Dispute Resolution Application Form (Stage two)

Please use this form to: apply to the adjudicator at stage two of the internal dispute resolution procedure if you want them to investigate a complaint concerning your pension;

YOUR EMPLOYER/FORMER EMPLOYER

My disagreement is with a decision made by -
(tick one box only)

The employer named above

☐

East Sussex Pension Fund

☐

1. Member's details (to be completed in all cases)

Full Name	
Address	
Date of Birth	
National insurance number	

2. Dependant's details:

If you are the member's dependant and the complaint is about a benefit for you, please give **your** details here.

Full Name	
Address	
Date of Birth	
Relationship to member	

3. Representative's details:

If you are the member's or dependant's representative, please give your details in this box.

Full Name	
Address	
The address response letter should be sent to	

4. Your complaint

Please give full details of your complaint below. Please try to explain exactly why you are unhappy, giving any dates or periods of scheme membership that you think are relevant.

5. Your signature

I would like my complaint to be considered and a decision to be made about it.

I am the (* delete as appropriate)

Scheme member/former member/prospective member *

Dependant of a former member *

Member's representative/dependant's representative *

I am dis-satisfied with the decision of the adjudicator under stage one of the dispute resolution procedure and request that East Sussex County Council as the administering authority review the decision.

Signed:..... Date:.....

Please remember to enclose a copy of any notification of the decision you are complaining of which has been issued by the employer East Sussex County Council or the adjudicator under stage one of the dispute procedure. Also enclose any other letter or notification that you think might be helpful.

PLEASE SEND THIS FORM TO:

Mr Philip Baker

Assistant Chief Executive

East Sussex County Council

County Hall,

St Anne's Crescent

Lewes

East Sussex

BN7 1UE

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Report to: Pension Board

Date: 12 May 2016

By: Chief Operating Officer

Title: Pension Fund Admission Agreement Template

Purpose: To set out the review of the Pension Fund Admission Agreement Template.

RECOMMENDATION

The Board is recommended to note the revised Pension Fund Admission Agreement Template.

1. Introduction

1.1 An admission agreement is where East Sussex County Council (ESCC), acting as the administering authority, enters into an agreement to allow an organisation that does not have a statutory right to participate in the scheme to join the scheme, as defined by the Local Government Pension Scheme (LGPS) regulations 2013 that - an agreement between an administering authority and an admission body that named individuals, or all or any specified class of the admission body's employees, may be members of the Scheme.

2. East Sussex Pension Fund: Updated Admission Agreement Template

2.1 In line with best practice, we have recently undertaken a joint review of our standard admission agreement template (Appendix 1) with ESCC's Legal Services and Eversheds (pension lawyers who specialise on LGPS matters).

2.2 These changes have been drafted with a view to increase transparency in defining more clearly each parties responsibilities; shorten and simplify the admission agreement wording for both Employers and Contractors to complete; and ensure the admission agreement is consistent with the terminology of the updated LGPS regulations. The key changes are:

- Admission bodies are now no longer required to contractually enrol staff upon transfer;
- Wording around the transfer of assets being on a fully funded basis updated to reflect the wording applied to the regulations.

3. Conclusion and reasons for recommendations

3.1 The Board is requested to note the revised Pension Fund Admission Agreement Template.

KEVIN FOSTER
Chief Operating Officer

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

Background Documents:

None

DATED _____ 2016

EAST SUSSEX COUNTY COUNCIL

And

XXXXXXXXXXXXXXXXXXXXXX

And

XXXXXXXXXXXXXXXXXXXXXX

ADMISSION AGREEMENT in respect of
East Sussex County Council
Local Government Pension Scheme

Assistant Chief Executive, Governance Services
East Sussex County Council

THIS AGREEMENT is made on the day of 2016

BETWEEN

- (1) EAST SUSSEX COUNTY COUNCIL of County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE (in its capacity as "the Administering Authority");
- (2) (in its capacity as "the Scheme Employer");
- (3) (the "Admission Body");

WHEREAS

- (A) The Administering Authority is an Administering Authority within the meaning of the Regulations and administers the Local Government Pension Scheme (the "Scheme") and maintains the East Sussex County Council Pension Fund (the "Pension Fund")
- (B) The Scheme Employer is a scheme employer within the meaning of the Regulations.
- (C) The Admission Body provides a service or assets in connection with the exercise of a function of the Scheme Employer as a result of the transfer of the XXXXXXXX service or assets by means of a contract dated the XX day of XXXXXX 20XX and made between XXXXXXXX and the Admission Body ("the "Contract"), which is for the period of XXXX years commencing on XXXXXX [with an option to extend for a further XXXXXX years].
- (D) The Administering Authority and the Admission Body have agreed to enter into this Admission Agreement (the Agreement) to enable the Eligible Employees (as defined in clause 1.1) engaged by the Admission Body but formerly employed by the [Scheme Employer] to be members of the Scheme and to participate in the Pension Fund.
- (E) At the Commencement Date the Admission Body will commence in the Pension Fund on a fully funded basis.
- (F) The terms and conditions of such an admission have been agreed between the parties of this Agreement as follows:-

NOW IT IS HEREBY AGREED as follows:

1. INTERPRETATION

- 1.1 "Eligible Employees" means the employees employed by the [Scheme Employer] and to be transferred to the Admission Body in accordance with the Contract and listed in Schedule 1 of this Agreement and who are otherwise nominated by the Admission Body for membership of the Scheme.

PROVIDED THAT

- 1.1.1 the employee is not a member of another occupational pension scheme (within the meaning of Section 1 of the Pension Schemes Act 1993) in relation to that employment;
- 1.1.2 the employee is and remains employed in connection with the provision of the service or assets in accordance with the Contract; and

- 1.1.3 the employee otherwise satisfies the requirements of the Regulations appertaining to eligibility for membership of the Scheme.
- 1.2 “Business Day” means any day other than a Saturday or a Sunday or a Public or Bank Holiday in England & Wales.
- 1.3 “Regulations” mean the Local Government Pension Scheme Regulations 2013 and any reference to a particular Regulation means, unless otherwise stated, a reference to the Regulations. Where appropriate this interpretation will apply to any amendment or replacement to these regulations
- 1.4 “Relevant Transfer Date” means the date of transfer of employment of an Eligible Employee to the Admission Body,
- 1.5 Save as aforesaid the words and expressions used in this Agreement shall have the same respective meanings as in the Regulations unless the context otherwise requires.
- 1.6 In this agreement where the context so admits:-
- 1.6.1 words denoting the singular shall include the plural and vice versa, words denoting the masculine gender shall include the feminine gender and vice versa and words denoting persons shall include corporations, unincorporated associations and partnerships;
- 1.6.2 references to any statute or statutory instrument shall be deemed to include reference to any such provisions as from time to time amended, varied, replaced, extended or re-enacted and any others or regulations under such provisions unless the context otherwise requires;
- 1.6.3 reference to Clauses or Schedules shall be deemed to be references to a Clause or a Schedule to this Agreement and references to a sub-Clause shall be deemed to be a reference to a sub-Clause of the Clause in which the reference appears;
- 1.6.4 headings are included for ease of reference only and shall not affect this Agreement or its interpretation.
- 1.6.5 The Schedule to this Agreement forms part of this Agreement.

2. COMMENCEMENT DATE

This Agreement shall take effect on the XXXXXXXX (‘Commencement Date’) and shall continue until such time as this Agreement is terminated in accordance with its terms.

3. ADMISSION

- 3.1 The Administering Authority shall as from the Relevant Transfer Date permit the Eligible Employees to be members of the Scheme and to participate as active members of the Pension Fund. The Administering Authority unless notified to the contrary by the Admission Body agrees to the continued active membership in the Scheme on and from the Relevant Transfer Date of each Eligible Employee who was an active member of the Scheme immediately prior to the Relevant Transfer Date. The Administering Authority agrees that any Eligible Employee who was not an active member of the Scheme immediately prior to the Relevant Transfer Date continues to be eligible to become an active member of the Scheme if he or she applies in writing to the Admission Body.

4. PARTICIPATION

- 4.1 The provisions of the Regulations shall apply for determining the rights and obligations of and the action which is to be taken by each party to this Agreement and for the transmission of information between them and each party hereby undertakes with the other to take such action promptly.
- 4.2 The provisions of the Regulations shall apply to the Eligible Employees in the same way as if the Admission Body were a Scheme employer within the meaning of the Regulations.
- 4.3 The Admission Body warrants and represents to the Administering Authority that the Admission Body employs every Eligible Employee for the purposes of this Agreement.
- 4.4 The Admission Body warrants and represents to the Administering Authority that no further employees employed by the Admission Body after the Commencement Date will become Eligible Employees for the purposes of this Agreement.

OR

The Admission Body may from time to time throughout the contract period engage further employees on the Contract as mentioned above to participate as an active member of the Scheme.

- 4.5 The Admission Body undertakes that it will promptly notify the Administering Authority in writing if any Eligible Employee ceases to be such in consequence of failing to satisfy Sub Clause 1.1.1 or Sub Clause 1.1.2 and that employee shall cease to be eligible to be an active member of the Scheme.

5. PAYMENTS

- 5.1 The Admission Body shall pay to the Administering Authority for credit to the Pension Fund such contributions and payments as are due from it under its rates and adjustments certificate issued by the actuary appointed by the Administering Authority and as are due under the Regulations.
- 5.2 The employer pension contributions payable by the Admission Body as at the Commencement Date is an amount equivalent to XX.X% of each Eligible Employee's pensionable pay that is or becomes an active member.
- 5.3 The employer pension contribution rate stated in Clause 5.2 will be subject to change following each valuation of the Pension Fund in accordance with Regulation 62 and in other circumstances including, but not limited to, those set out in clause 7.1 and Regulations 64 and 65.
- 5.4 The Admission Body shall pay to the Administering Authority for credit to the Pension Fund all employee and employer pension contributions on a monthly basis in arrears. The payment must reach the Administering Authority no later than the 19th day of the month following the salary payment to which they refer. Any question concerning what rate of contribution a member is liable to pay to the Pension Fund must be decided by the Admission Body in accordance with the Regulations.

5.5 The Admission Body shall pay to the Administering Authority for credit to the Pension Fund any revised contributions and payments due under Sub-Clause 7.2.2 within 30 days of receipt of a written request from the Administering Authority.

5.6 Where:

- (a) an Eligible Employee who is aged 55 or more is dismissed by reason of redundancy or business efficiency or where such an Eligible Employee's employment is terminated by mutual consent on grounds of business efficiency; or
- (b) an Eligible Employee elects to receive an immediate pension under Regulation 30(5) or (with the Admission Body's consent) under Regulation 30(6) of the Regulations, including in either case where the Admission Body waives any reduction of benefits under Regulation 30(8); or
- (c) an Eligible Employee is retiring on the grounds of ill health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of his current employment and not immediately capable of undertaking gainful employment; or
- (d) the deferred benefit of an Eligible Employee who became a deferred member of the Scheme is brought into payment on the grounds of ill health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of that employment and unlikely to be capable of undertaking gainful employment before normal pension age, or for at least three years, whichever is the sooner;

and immediate benefits are payable under the Regulations, the Admission Body shall pay to the Administering Authority for credit to the Pension Fund the sum notified to them in writing by the Administering Authority as representing the actuarial strain of the immediate payment of benefits on the Pension Fund, as certified by an actuary appointed by the Administering Authority, but only, in the case of sub-sections (c) or (d), to the extent that the strain is not met through the Admission Body's employer contribution rate, such sum to be paid within 30 days of receipt of the written notification.

5.7 The Admission Body shall indemnify and keep indemnified the Administering Authority against any costs and liabilities which it or the Pension Fund may incur arising out of or in connection with (a) the non-payment by the Admission Body of any payments due to the Fund under this Admission Agreement, the Regulations or any other legal or regulatory requirements applicable to the Scheme. Any demand under this clause must be paid by the Admission Body to the Administering Authority within 30 days of a written request from the Administering Authority. In the event of non-payment by the Admission Body, the Scheme Employer shall indemnify and keep indemnified the Administering Authority against such costs and liabilities.

5.8 If any sum payable under the Regulations or this Agreement by the Admission Body to the Administering Authority or to the Pension Fund has not been paid by the date on which it becomes due under this Agreement or the Regulations, the Administering Authority may require the Admission Body to pay interest on the amount remaining unpaid at the rate of 1% above the Bank of England base rate on a day to day basis from the due date to the date of payment and compounded with 3 monthly rests.

5.9 If any sum payable under the Regulations or this Agreement by the Admission Body to the Administering Authority or to the Pension Fund has not been paid by the date on which it becomes due under this Agreement or the Regulations, the Administering Authority may

require the Scheme Employer to set off against any payments due to the Admission Body an amount equal to the sum due from the Admission Body under this Agreement or the Regulations and to pay the sum to the Administering Authority for the credit to the Pension Fund by a date specified by the Administering Authority.

- 5.10 Any payment due from the Admission Body under clause 5.1 shall be calculated on the assumption that, as at the Commencement Date, any liabilities relating to the Scheme membership prior to the Commencement Date of the Eligible Employees are 100% funded (as determined by the actuary appointed by the Administering Authority in accordance with the actuarial assumptions consistent with the most recent actuarial valuation of the Pension Fund before the Commencement Date (updated to the Commencement Date if necessary)). Where any additional funding (as certified by the actuary appointed by the Administering Authority) is necessary, this shall be deducted from the Scheme Employer's notional allocation of assets within the Pension Fund. For the avoidance of doubt, 100% funded shall mean that the Admission Body shall be notionally allocated at the Commencement Date an amount of assets within the Fund equal to the value placed on the liabilities as at the Commencement Date as determined by the Administering Authority's actuary.
- 5.11 With effect on and from the Commencement Date and during the period of this Agreement, the Admission Body will have responsibility for funding any deficit in the Fund relating to the membership of the Eligible Employees.
- 5.12 Any payments made by the Admission Body under clause 5.4 must be accompanied by a statement (given in such form and at such intervals as the Administering Authority shall specify) showing the following information for each Eligible Employee who was an active member of the Scheme during all or part of the period covered by the statement:
- (a) name and contribution band;
 - (b) details of any period(s) falling within the period to which the statement relates in relation to which an election was in force in respect of the active member under Regulation 10;
 - (c) total pensionable pay received by the member (including any assumed pensionable pay the member is treated as having received);
 - (d) total employee contributions deducted from that pensionable pay;
 - (e) total employer contributions in respect of that pensionable pay;
 - (f) total additional contributions paid by the member (distinguishing additional pension contributions paid under Regulation 16 and additional voluntary contributions paid under Regulation 17);
 - (g) total additional contributions paid by the Admission Body (distinguishing additional pension contributions paid under Regulation 16 and additional voluntary contributions paid under Regulation 17); and
 - (h) such other information as the Administering Authority may require.
- 5.13 Where an election was in force in respect of an active member under Regulation 10 during any part of the period to which the statement required under clause 5.11 relates, the information provided under (c), (d) and (e) above must be provided separately in respect of:
- (i) the period (or, if more than one, the aggregate of such periods) during which no election was in force; and

(ii) any period (or, if more than one, the aggregate of such periods) during which no election was in force.

6. ADMISSION BODY'S UNDERTAKINGS

The Admission Body undertakes:-

- 6.1 to comply with all its duties and obligations relating to automatic enrolment including without limitation under the Pensions Act 2008 and regulations made thereunder and the LGPS Regulations and shall indemnify and keep indemnified the Administering Authority in respect of any claim, loss, liability suffered or incurred by the Administering Authority arising from any failure by the Admission Body to comply with those obligations;
- 6.2 that throughout the Contract, that all the body's employees who are members of the Scheme are employed in connection with the provision of services or assets as mentioned in paragraph (C) of the introduction to this Agreement.
- 6.3 to provide or to procure such information relating to the Admission Body's participation in the Pension Fund and the Eligible Employee's participation in the Scheme as is reasonably required by the Administering Authority.
- 6.4 to comply with the reasonable requests of the Administering Authority to enable it to comply with the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734) or any subsequent regulations;
- 6.5 to adopt the practices and procedures relating to the operation of the Scheme set out in the Regulations and, subject to clause 6.6, in any employer's guide published by the Administering Authority and provided by the Administering Authority to the Admission Body;
- 6.6 to formulate and publish within 3 months of the date of the signing of this Agreement a statement concerning the Admission Body's policies on the exercise of its discretions under the Regulations and to keep such policies under review; informing the Administering Authority within 1 month of any change to a policy.
- 6.7 to notify the Administering Authority of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion;
- 6.8 without prejudice to the requirements of the Regulations and any employers guide published by the Administering Authority and provided to the Admission Body, to notify forthwith the Administering Authority in writing of any material change in the terms and conditions of employment of any of the Eligible Employees which affect entitlement to benefit under the Regulations, any change in employment which results in an Eligible Employee who is an active member ceasing to be employed in connection with the provision of the services referred to in recital (C) and of any termination of employment by virtue of redundancy, business efficiency, ill-health or early retirement;
- 6.9 not to do any act, omission or thing which would prejudice the status of the Scheme as a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004;
- 6.10 that it shall not grant an additional pension to an Eligible Employee or former Eligible Employee under the Regulations save to the extent either that (a) the appropriate sum is paid to the Administering Authority for credit to the Pension Fund in accordance with Regulation 68(3) or (b) the Administering Authority and Admission Body agree that the Admission Body will pay increased contributions to meet the cost of the additional pension;

- 6.11 to notify the Administering Authority and the Scheme Employer immediately of any matter which may affect, or is likely to affect, its participation in the Scheme and the Pension Fund and give immediate notice to the Administering Authority of any actual or proposed change in its status which may give rise to a termination of the Agreement, including but not limited to, take-over, reconstruction or amalgamation, insolvency, winding up, receivership or liquidation or a material change to its business or constitution.
- 6.12 to provide forthwith to the Administering Authority such details as to its financial position as the Administering Authority shall reasonably request, and to allow a representative of the Administrative Authority access to any of its financial records as and when reasonably required by the Administering Authority;
- 6.13 to meet the relevant requirements of the Regulations.

7. PERIODIC VALUATIONS

- 7.1 Without prejudice to its powers under Regulation 64(4), where the Administering Authority considers there are circumstances which make it likely that the Admission Body will become an exiting employer, the Administering Authority may obtain from an actuary appointed by the Administering Authority a certificate specifying, in the case of the Admission Body, the percentage or amount by which, in the actuary's opinion, the contribution rate at the common rate or any prior individual adjustment within the meaning of the Regulations should be increased or reduced. This is with a view to ensuring that , as far as is reasonably possible, the value of assets held is equivalent to the anticipated exit payment that will be due from the Admission Body to the Pension Fund by the likely exit date. The costs of obtaining this certificate shall be borne by the party requesting the certificate.
- 7.2 When this Agreement is terminated for whatever reason, or ceases to have effect, the Administering Authority must obtain:
 - 7.2.1 an actuarial valuation as at the termination date of the liabilities of the Pension Fund in respect of the Eligible Employees and the former Eligible Employees, under the Agreement, of the Body, and
 - 7.2.2 a revision of any rates and adjustments certificate within the meaning of the Regulations showing the exit payment due from the Admission Body; The basis of any actuarial valuation will be determined by the actuary to the Administering Authority.

The costs of obtaining this certificate shall be borne by the Admission Body

Where for any reason it is not possible to obtain all or part of the exit payment from the Admission Body or from any person providing a bond, indemnity or guarantee in accordance with clause 9, then the Administering Authority may obtain a further revision of the rates and adjustments certificate for the Pension Fund showing the revised contributions due from the body which is the related employer (as defined in Regulation 64(8)) in relation to the Admission Body.

- 7.3 The Admission Body shall pay to the Administering Authority any costs (including professional costs) which the Pension Fund or Administering Authority may incur as a result of the termination of this Agreement unless terminated by the Administering Authority under clause 8.1.

8. TERMINATION

- 8.1 Subject to clauses 8.2 and 8.3 this Agreement shall terminate at the end of the notice period upon any of the parties hereto giving a minimum of three months notice to terminate this agreement to the other party to this Agreement.
- 8.2 This Agreement shall automatically terminate on the earlier of the date of:
- 8.2.1 the expiry or earlier termination of the Contract,
 - 8.2.2 the last active member ceasing employment by the Admission Body, or
 - 8.2.3 the date the Admission Body ceases to be an admission body for the purposes of the Regulations.
- 8.3 This Agreement may be terminated with immediate effect by the Administering Authority by notice in writing to the Admission Body in the event of:
- 8.3.1 any breach by the Admission Body of any of its obligations under this Agreement.

PROVIDED THAT if the breach is capable of remedy the Administering Authority shall first afford to the Admission Body the opportunity of remedying that breach within such reasonable period as the Administering Authority may specify; or
 - 8.3.2 the insolvency, winding up or liquidation of the Admission Body;
 - 8.3.3 where the continued participation of the Admission Body in Scheme would or might prejudice the status of the Scheme as a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004; or
 - 8.3.4 the failure by the Admission Body to pay any sums due to the Administering Authority or to the Pension Fund within seven days of the dates specified in Clauses 5.4, 5.5, 5.6, 5.7 and 5.8 or, in any other case, within thirty seven days of receipt of a notice from the Administering Authority requiring them to do so; or
 - 8.3.5 the failure by the Admission Body, having carried out a risk assessment, taking account of actuarial advice, to satisfy the Administering Authority there are appropriate guarantees as specified in Clause 9, to protect the Pension Fund and the other Scheme Employers participating in the Pension Fund in the event the Agreement be terminated under Clause 8.2 or 8.3 or for any other reason;
 - 8.3.6 the Admission Body ceases to be an admission body in accordance with the Regulations.
- 8.4 Where any contributions, payments or other sums due under this Agreement or the Regulations remain outstanding on the termination of this Agreement, the Admission Body shall pay them in full within 20 days of the date of termination.

9. INDEMNITY FROM THE ADMISSION BODY

- 9.1 The Admission Body shall carry out or procure the carrying out of an assessment, taking into account actuarial advice, of the level of risk arising on premature termination of the provision of the Contract by reason of the insolvency, winding up or liquidation of the Admission Body, to the satisfaction of the Administering Authority and the Scheme Employer. The cost of any actuarial assessment of the sum of bond shall be borne by the Admission Body.

- 9.2 The level of risk exposure arising on the premature termination of the service provision or assets by reason of insolvency, winding up or liquidation of the Admission Body has, prior to the Commencement Date specified in Clause 2, been actuarially assessed to the satisfaction of the Administering Authority and Scheme Employer as being the sum of £XXXXXX.
- 9.3 The Admission Body undertakes to provide to the Administering Authority on or before the date of completion of the Agreement a bond in accordance with Clause 9.4 or, where the Administering Authority has agreed that it is not desirable for the Admission Body to provide a bond, the Admission Body shall secure a guarantee (in a form approved by the Administering Authority) from (a) a person who funds the Admission Body in whole or in part (b) a person who owns the Admission Body (c) a person who controls the exercise of the functions of the Admission Body or (d) the Secretary of State for Communities and Local Government.
- 9.4 The Admission Body shall provide a bond in a form approved by the Administering Authority with XXXXXXXXX being an authorised insurer or a relevant institution in compliance with the Regulations (or such other insurer or institution which may be approved by the Administering Authority from time to time) for the sum specified in Clause 9.2 in respect of the risk exposure specified and that the bond is in place.

OR

The Admission Body shall secure a guarantee (in a form approved by the Administering Authority) from (a) a person who funds the Admission Body in whole or in part (b) a person who owns the Admission Body (c) a person who controls the exercise of the functions of the Admission Body or (d) the Secretary of State for Communities and Local Government.

OR

The Administering Authority and the Scheme Employer have agreed that the initial level of risk exposure is not such as to require a bond or guarantee.

- 9.5 The level of risk exposure may be reviewed at any time by the Administering Authority but shall be reviewed at least at thirty six monthly intervals from the Commencement Date (but not more than once per annum) to ensure that it still covers the level of risk exposure arising on the premature termination of the service or assets by reason of the insolvency, winding up, or liquidation of the Admission Body, which has been actuarially assessed to the satisfaction of the Administering Authority. The cost of any such actuarial assessment shall be borne by the Admission Body.
- 9.6 During the term of this Agreement, the Admission Body shall keep the level of risk exposure arising on the premature termination of the service provision or assets by reason of the insolvency, winding up or liquidation of the Admission Body under assessment at regular intervals as required by the Administering Authority and Scheme Employer.
- 9.7 Where any bond or guarantee provided is for a period shorter than the full term of this Agreement, so that such bond or guarantee will expire during the term of this Agreement or where the Administering Authority or Scheme Employer so requires, following a re-assessment of risk exposure, the Admission Body shall:
- (a) arrange for any existing bond or guarantee to be extended in duration and amount as appropriate; or
 - (b) arrange for provision of a new bond or guarantee from a person or firm meeting the requirements of the Regulations, in a form approved by the Administering Authority and Scheme Employer.

10. NOTICES

- 10.1 Any notice to be given under this Agreement shall be in writing and shall be deemed to be sufficiently served if delivered by hand or sent by prepaid first class post to the registered office of the Admission Body or addressed to the Pensions Strategy and Governance Manager at the headquarters address of the Administering Authority or addressed to the headquarter address of the Scheme Employer and shall be deemed to have been duly given or made (i) if delivered by hand, upon delivery at the address provided for in this Clause 10 unless such delivery occurs on a day which is not a Business Day (which means for the purposes of this Agreement any day other than a Saturday, Sunday or a public bank holiday in England) or after 4.00 p.m. on a Business Day, in which case it will be deemed to have been given at 9.00 a.m. on the next Business Day; or (ii) if sent by prepaid first class post, on the second Business Day after the date of posting.
- 10.2 The parties to this Agreement agree that any notice given under this Agreement shall not be accepted by e-mail.

11. WAIVER

Failure or neglect by the Administering Authority to enforce at any time any of the provisions of the Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's rights, nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's rights to take subsequent action.

12. SEVERANCE

- 12.1 If any provision of, or period of Scheme membership under, this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable such invalidity or unenforceability shall not affect the other provisions of, or any other periods of Scheme membership under, this Agreement which shall remain in full force and effect.
- 12.2 If any provision of this Agreement is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted or amended the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

13. ENTIRE AGREEMENT

Except where expressly provided the Agreement constitutes the entire Agreement between the parties in connection with its subject matter and supersedes all prior representations, communications, negotiations and understandings concerning the subject matter of this Agreement.

14. AMENDMENT

The parties to this Agreement may with the agreement of the other amend this Agreement by deed provided that:

- 14.1 the amendment is not such that it would breach the Regulations or any other legal or regulatory requirements applicable to the Scheme; and
- 14.2 the amendment would not prejudice the status of the Scheme as a registered pension scheme

15. PUBLIC INSPECTION

This Agreement shall be made available for public inspection by the Administering Authority and the Scheme Employer at their respective headquarters addresses.

16. DISPUTES

16.1 The parties shall attempt in good faith to negotiate a settlement to any dispute between them arising out of or in connection with this Agreement within 20 Business Days of either party notifying the other of the dispute and such efforts shall involve the escalation of the dispute to a director (or equivalent) of each party.

16.2 Nothing in this dispute resolution procedure shall prevent the parties from seeking from any court of competent jurisdiction an interim order restraining the other party from doing any act or compelling the other party to do any act.

16.3 If the dispute cannot be resolved by the parties pursuant to clause 16.1 the parties shall refer it to mediation pursuant to the procedure set out in clause 16.5 unless (a) the Administering Authority or the Admission Body considers that the dispute is not suitable for resolution by mediation; or (b) the Administering Authority or the Admission Body does not agree to mediation.

16.4 The obligations of the parties under this Agreement shall not cease, or be suspended or delayed by the reference of a dispute to mediation and the Parties shall comply fully with the requirements of this Agreement at all times.

16.5 The procedure for mediation and consequential provisions relating to mediation are as follows:

(a) a neutral adviser or mediator (the "Mediator") shall be chosen by agreement between the parties or, if they are unable to agree upon a Mediator within 10 Business Days after a request by one party to the other or if the Mediator agreed upon is unable or unwilling to act, either party shall within 10 Business Days from the date of the proposal to appoint a Mediator or within 10 Business Days of notice to either party that he is unable or unwilling to act, apply to the Centre for Effective Dispute Resolution to appoint a Mediator.

(b) the parties shall within 10 Business Days of the appointment of the Mediator meet with him in order to agree a programme for the exchange of all relevant information and the structure to be adopted for negotiations to be held. If considered appropriate, the parties may at any stage seek assistance from the Centre for Effective Dispute Resolution or other mediation provider to provide guidance on a suitable procedure.

- (c) unless otherwise agreed, all negotiations connected with the dispute and any settlement agreement relating to it shall be conducted in confidence and without prejudice to the rights of the parties in any future proceedings.
- (d) if the parties reach agreement on the resolution of the dispute, the agreement shall be recorded in writing and shall be binding on the parties once it is signed by their duly authorised representatives.
- (e) failing agreement, either of the parties may invite the Mediator to provide a non-binding but informative written opinion. Such an opinion shall be provided on a without prejudice basis and shall not be used in evidence in any proceedings relating to this Agreement without the prior written consent of both parties.
- (f) if the parties fail to reach agreement in the structured negotiations within 60 Business Days of the Mediator being appointed, or such longer period as may be agreed by the parties, then any dispute or difference between them may be referred to the Courts
- (g) The Parties shall bear their own costs in relation to the dispute resolution procedure

17 APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with English Law and subject to Clause 16 the parties hereby submit to the exclusive jurisdiction of the English Courts.

18. COUNTERPARTS

This Agreement shall be executed in any number of counterparts and this shall have the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

19. RIGHTS OF THIRD PARTIES

The parties to the Agreement do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

SCHEDULE 1

ELIGIBLE EMPLOYEES

First Name(s)	Surname	Date of Birth

IN WITNESS whereof the parties have executed this Agreement as a Deed the day and year first before written.

THE COMMON SEAL of EAST SUSSEX COUNTY COUNCIL as Administering Authority was hereunto affixed in the presence of :- Authorised Officer	 Seal Reg. No _____
Print name:	

THE COMMON SEAL of XXXXXXXXXXXXXXXXXXXXXXXX as Scheme Employer was hereunto affixed in the presence of :- Authorised Officer	 Seal Reg. No _____
Print name:	

SIGNED and DELIVERED AS A DEED

By XXXXXXXXXXXXXXXXXXXXXXXX

acting by a director and its secretary or two directors

..... Director/Company Secretary

Print name:

..... Director/Company Secretary

Print name:

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Report to: Pension Board

Date: 12 May 2016

By: Chief Operating Officer

Title: Officers' Report – Business Operations

Purpose: To provide an update on current administration issues in relation to the service provided to the Pension Fund by Orbis Business Operations

RECOMMENDATIONS

The Board is requested 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 has 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 Scheme Member communications

2.1 The Board have previously expressed an interest in being sighted on global member communications. Business Operations has recently produced a Pensions Newsletter which is intended for active members of the scheme (**see Appendix 1**) and has been forwarded to employers in the pension fund for onward distribution. This document has been designed to be distributed electronically in line with our plans for future communications.

2.2 The newsletter contains updates on changes the Government has made to the taxation of pensions – namely a reduction in the Lifetime Allowance and changes to the Annual Allowance – as well as information about changes to the state pension and the ending of contracting out.

2.3 Although communication of the increase in the rate of National Insurance contributions is an employer responsibility, the Pension Fund does have an obligation to advise scheme members that they will no longer be members of a contracted-out scheme so a separate shorter communication (referencing the Newsletter in Appendix 1) has been sent to scheme members (via home address) to confirm this. It is hoped that members will view the increase in their National Insurance contributions as having a positive impact on their future state pension entitlement.

2.4 **New Joiner information.** The Board requested sight of communications that are currently sent to new joiners to the pension fund. Historically, the Form LGPS1 (**Appendix 2**) has been issued by employers prior to members joining and a statutory notification (**Appendix 3**) is sent after the member's record has been set up to confirm admission.

2.5 This documentation meets the fund's statutory responsibilities for new joiners but Business Operations is committed to introducing more informative and user friendly communications to new joiners. The documents attached as **Appendix 4** are samples of the communications issued by partner funds within Orbis and it is intended these be rolled out to East Sussex members in due course now that approval has been given to proceed with an integrated administration system with shared processes.

3 Administration Performance

3.1 Business Operations is pleased to report that the recent recruitment of four new staff is now having a positive impact on the administration performance of the team. The pre-existing backlog of unprocessed 'early' leavers (numbering around 450) referred to in previous reports has now been successfully cleared and the team is maintaining the processing of these leavers going forward.

3.2 The Board had previously raised concerns around turnaround times for the processing of spouse's benefits and these issues have also now been rectified – in March all retirement payments and spouse's benefit cases were completed within the published timescales.

3.3 The calculation of transfers into and out of the scheme (and quotations for divorce proceedings) has been suspended as a result of the change to the discount rate from 16 March 2016, as announced in the recent Budget. The Government sets the discount rate for all public service pension schemes. It is hoped that new transfer factors will be issued by the Government imminently to avoid the build of any backlogs outside of Business Operation's control but this may have a negative impact on performance if the suspension continues for some time.

4 GMP Reconciliation

4.1 The Board were previously provided with an update of the initial analysis carried out by ITM regarding the mis-matches between HMRC records and the fund's own records. In February 2016, HM Treasury issued some recommended guidance for public sector pension schemes which stated that schemes should consider reconciling:-

- i) Active and Deferred members with service between 6 April 1978 and 5 April 1997
- ii) Pensioners with active service between the above dates
- iii) Non-members for whom schemes consider they have discharged any liability
- iv) Members where schemes consider there is a liability but HMRC do not

4.2 In addition, HM Treasury has suggested that a tolerance level of £2 per week should be applied and within this:-

- i) For active and deferred members schemes should default to HMRC's records
- ii) For pensioner members schemes should default to their own records

4.3 Business Operations is currently investigating the options available for resourcing this task on this basis and will make a recommendation to the Pensions Committee once sufficient information is available.

5. Valuation and Progress on EOY Returns from Employers

5.1 To ensure an accurate set of data is provided to the fund actuary to carry out the triennial valuation and to ensure timely issue of annual statements, employers have been requested to provide their EOY returns by 30 April. An update will be provided to the Board at the meeting once this submission date has passed.

KEVIN FOSTER
Chief Operating Officer

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Background Documents

None

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Pensions News

Appendix 1



April 2016

An update for active members of the Local Government Pension Scheme (LGPS)

Dear Colleague

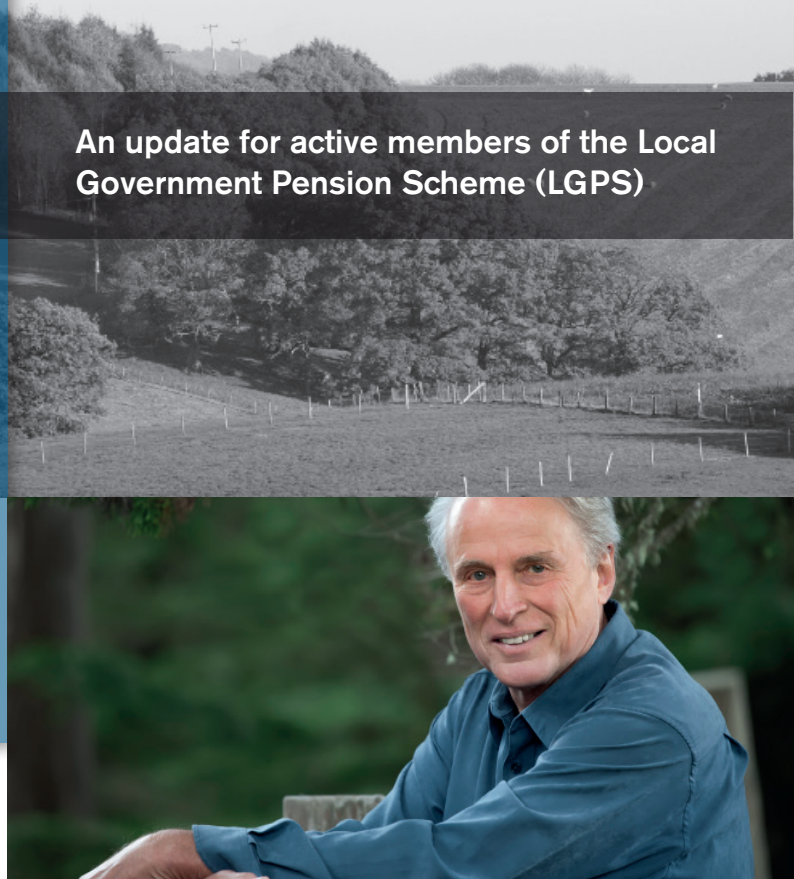
We have produced this newsletter to let you know about changes that are likely to affect you as a member of the Local Government Pension Scheme (LGPS).

STATE PENSION REFORMS

The government is introducing a flat rate pension to replace the existing basic and additional State Pension for people who reach their State Pension age after 5 April 2016. This will mean the end of 'contracting out' of the additional State Pension for members of occupational pension schemes.

- Most members of public sector pension schemes such as the LGPS will pay increased National Insurance contributions from April 2016 as a result of the end of 'contracting out'
- The new flat rate pension will be adjusted to reflect any LGPS membership you built up before 5 April 2016 when you were paying a reduced rate of National Insurance contributions

You can read more about these reforms on pages 2-4 of this newsletter.



TAXING YOUR PENSION BENEFITS

The government sets limits on the total amount of pension benefits you can build up in all schemes – the Lifetime Allowance (LTA), and the amount by which your pension savings can increase in a year – the Annual Allowance (AA), before you become subject to a tax charge.

Some LGPS members may be affected by changes in the LTA and AA that come into force from April 2016. More information about these changes can be found on pages 4-7.

This Newsletter has been produced by Orbis Pension Services on behalf of:



CONTRIBUTIONS FROM 1 APRIL 2016

As a member of the LGPS, the contribution rate that you pay depends on your annual pensionable salary. This is reviewed on 1 April each year but your employer can also choose to review your contribution rate each time your pay changes. The pay ranges are normally increased each April in line with changes in the Consumer Prices Index (CPI). As the CPI did not increase in the 12-month review period to September 2015, it is very likely that the pay ranges will remain the same as those in use from 1 April 2015:

Actual yearly pay		You pay
From	To	
Up to	£13,600	5.5%
£13,601	£21,200	5.8%
£21,201	£34,400	6.5%
£34,401	£43,500	6.8%
£43,501	£60,700	8.5%
£60,701	£86,000	9.9%
£86,001	£101,200	10.5%
£101,201	£151,800	11.4%
More than	£151,801	12.5%

THE NEW STATE PENSION AND WHAT IT WILL MEAN FOR LGPS MEMBERS

The Government is introducing a new single tier flat rate pension for people who reach State Pension age on or after 6 April 2016 to replace the existing basic and additional State Pensions. Their aim is to introduce a simpler, fairer system where you have a clearer idea about what pension the state will provide, making it easier to plan for your retirement.

There are no plans to alter the benefits the LGPS provides as a result of these changes. However, membership of the LGPS will affect how your new State Pension entitlement is calculated and many LGPS members will see an increase in the rate of National Insurance contributions they pay.

Will I receive the new State Pension?

You will be able to claim the new State Pension if you're

- **a man born on or after 6 April 1951**
- **a woman born on or after 6 April 1953**

and, normally, have at least 10 qualifying years on your National Insurance record.

If you reach State Pension Age before 6 April 2016 you'll get your State Pension under the State Pension scheme in place before April 2016.

Will I have to pay more National Insurance contributions?

Yes you will, but it is important to understand that these extra payments will contribute towards your State Pension.

The current State Pension is made up of the basic State Pension and additional State Pension (sometimes known as the State Second Pension or SERPS).

The LGPS is 'contracted out' of the additional State

Pension. This means that during your membership of the LGPS you have been receiving a rebate on your National Insurance contributions and have not been building up any additional State Pension. You have been building up pension benefits in the LGPS instead.

In almost all cases, the pension you will get from the LGPS will be more than you would have received from the additional State Pension had you not been contracted out.

From 6 April 2016 the new State Pension will, for those who attain State Pension Age on or after that date, replace the existing basic and additional State Pensions with a single tier flat rate pension. This will end contracting out of the additional State Pension and so the rebate on your National Insurance contributions will stop.

How much more in National Insurance will I have to pay?

The National Insurance rebate is 1.4% of monthly pay between £486 and £3,337 (2015/16 figures). From 6 April 2016 you will no longer receive this rebate and will pay the standard rate of National Insurance. Below are some examples of the National Insurance payable before and after these changes are introduced.

Earnings

£15,000 per year - £ 1,250 per month
£27,000 per year - £ 2,250 per month
£45,000 per year - £ 3,750 per month

Monthly National Insurance payable

Before 6 April 2016	From 6 April 2016
£58.66	£69.36
£164.66	£189.36
£307.65	£352.76

The figures in this table apply to employees over age 21 and below State Pension Age

You will not see a change if:

- You are over State Pension Age
- Your earnings are below £486 per month
- You are paying the Married Woman's / Widow's Reduced Rate of National Insurance





HOW CAN I FIND OUT MORE INFORMATION?

More information about the new State Pension can be found at www.gov.uk/yourstatepension

The government has issued a wide range of publications that you may find useful including:

Factsheets about the new State Pension

and Guides about the end of contracting out.

I cannot afford to pay the increased National Insurance contributions. What can I do?

You should think very carefully before making any changes to your LGPS pension position but as a short term option, you could consider joining the 50/50 Section of the LGPS. In the 50/50 Section, members pay half their normal pension contributions and build up half their normal pension, while retaining full life cover and ill health cover.

More information about the 50/50 option can be found on the national LGPS members' website www.lgpsmember.org. You can obtain a 50/50 option form from your employer or by contacting ESCC Pensions. Contact details can be found on page 7.

TAXING YOUR PENSION BENEFITS – 2016 CHANGES

In the summer 2015 Budget the Chancellor announced changes to the tax free allowances provided by HM Revenue and Customs (HMRC) relating to your pension.

The two tax free allowances that are changing from April 2016 are:

- **The Annual Allowance**
- **The Lifetime Allowance**



THE ANNUAL ALLOWANCE

Set by HMRC, the Annual Allowance (AA) is a limit on the increase in the value of the pension benefits you can build up each year before you become subject to a tax charge. A three year 'carry forward' rule means that you may not have to pay a tax charge if the increase in your pensions savings exceeds the relevant limit (see below) provided you have sufficient 'unused' allowances from previous years.

In previous years the period from 1 April to the following 31 March was used as the year over which the growth in your pension savings was measured for AA purposes.

An interim arrangement is in place for the 2015/16 year when there will be two assessment periods – 1 April 2015 to 8 July 2015 and 9 July 2015 to 5 April 2016.

From the 2016/17 year onwards the assessment period will be aligned with the tax year – 6 April to the following 5 April.

The Annual Allowance for 2016/17 will be £40,000 for most people, but high earners may be affected by the introduction of the Tapered Annual Allowance.

THE TAPERED ANNUAL ALLOWANCE

From the 2016/17 year onwards the AA will be reduced for high earners on a tapered basis determined by the member's level of earnings. The taper will reduce the AA by £1 for every £2 of 'adjusted income' received over £150,000, down to a minimum AA of £10,000.

'Adjusted income' means your annual gross salary plus the amount by which your pension savings increase in the year.

You will only be affected by the Tapered Annual Allowance if:

- **Your annual income excluding pension contributions is over £110,000, and**
- **Your annual 'adjusted income' (see above) is over £150,000**

THE LIFETIME ALLOWANCE

The Lifetime Allowance (LTA) is the total value of your pension benefits from all sources (except the State Pension) that you can receive before you become subject to a tax charge. The LTA is assessed at the point your retirement benefits are paid to you.

THE LTA IS REDUCING FROM £1.25MILLION TO £1MILLION FROM 6 APRIL 2016.

When the LTA has reduced in previous years, some forms of protection have been available for members who have already built up large pensions and similar protections will be available from HMRC from July 2016 onwards.

HMRC is introducing an interim process for scheme members who wish to claim their benefits after 5 April 2016 but before applications for protection can be made from July 2016.

If you do require protection, it is your responsibility to apply.



How will I know if I am affected?

ESCC Pensions will be contacting members directly who we think may be affected by the reduction in the Lifetime Allowance in the coming weeks.

Please be aware that we can only identify members based on information we hold about the LGPS benefits that you are currently building up and any Local Government Additional Voluntary Contributions fund attached to your main scheme benefits.

You will need to take into account the value of the pension benefits you hold in any other pension scheme or arrangement in assessing whether you are likely to exceed the LTA. The same also applies to the new Annual Allowance outlined above.

What should I do if I think I may be affected by the changes to the LTA?

In all circumstances, we'd recommend that you consult with an independent financial or tax advisor to talk you through the details, taking account of your own particular circumstances.

It is possible some people may need to consider opting out of the LGPS if they want to retain one of the LTA protections introduced by the Government but you are strongly advised to seek independent advice before making a decision.

HOW TO CONTACT ESCC PENSIONS

You can contact us in any of the ways shown below. Please note that we can only assist you with enquiries regarding the LGPS and not the state pension changes which are the responsibility of the Department for Work and Pensions:

Telephone the ESCC Pensions Team:
01825 744544

Email: ESCC.pensions@sesharedservices.org.uk

Write to: ESCC Pensions Team
Business Operations,
County Hall,
St Anne's Crescent,
Lewes,
East Sussex BN7 1UE

HOW CAN I FIND OUT MORE INFORMATION?

A factsheet covering the change in the LTA can be found on the [pension fund website](#)

The government has published a guide that covers taxation of your pension savings:

www.gov.uk/tax-on-your-private-pension

If you wish to consult an independent adviser, it is important that they are qualified and authorised to provide advice. The following organisations provide useful information about how to choose an appropriate adviser, and how to find one in your area:

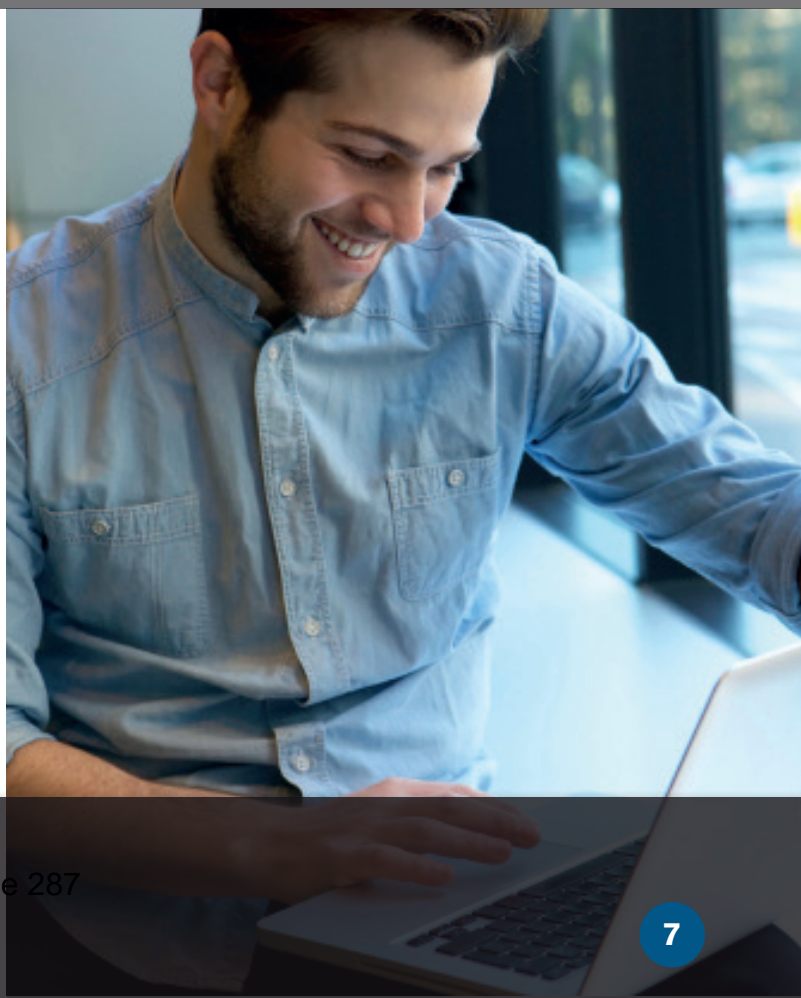
[The Pensions Advisory Service](#)

[The Financial Services Register](#)

www.unbiased.co.uk

www.thepfs.org

You can visit our office any time between 9:00am and 5:00pm. You can also arrange an appointment with a member of the Pension Services Team. Further information about the LGPS can be found on the pension fund website www.eastsussexpensionfund.org



If you have any questions or comments about the content of this newsletter, please contact ESCC Pensions. Our contact details are shown above.

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**Local Government Pension
Scheme
Membership Questionnaire
Form LGPS-1**



Use this form to confirm that you wish to join the pension scheme.

You can also tell us whether you want to transfer other pension rights into the scheme, and nominate beneficiaries in the event of your death.

Before completing this form please read the guidance notes at the end.

1. Personal details	
Surname	
Forename(s)	
National insurance number	
Home address	Post code
Telephone number/s	
Email address	

Please indicate your marital/partnership status by marking one box:

Single <input type="checkbox"/>	Married <input type="checkbox"/>	Civil partnership <input type="checkbox"/>	Civil partnership dissolved <input type="checkbox"/>
Widow/er <input type="checkbox"/>	Divorced <input type="checkbox"/>	Surviving civil partner <input type="checkbox"/>	Cohabiting partner <input type="checkbox"/>
Date status changed (if applicable)		Previous surname (if applicable)	

Please enclose your birth certificate, which will be returned to you immediately.

Date of birth		Birth certificate enclosed? Yes <input type="checkbox"/> No <input type="checkbox"/>
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2.. Employment details	
Employer	Payroll no:
Date employment commences/commenced	
Job title	

3. Election to join the Local Government Pension Scheme (LGPS)

Please tick **one** of the following boxes (if appropriate to your circumstances):

I am a new employee and I wish to join the LGPS from my date of starting.

I authorise the deduction of a pension contribution from my salary at the appropriate rate.

☐

I am an existing employee and I wish to opt-in to the LGPS from the next available payroll.

I authorise the deduction of a pension contribution from my salary at the appropriate rate.

☐

Date		Signature	
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4. Previous pension arrangements

Pension scheme members should list all previous pension schemes, which they are considering transferring into their LGPS scheme. We will investigate whether a transfer is possible and let you know the details. You can then decide whether to make the transfer.

Please list your previous pension schemes in date order, with the most recent at the top.

Name and address of scheme administrator or insurance company	Type of pension scheme	Period of scheme membership		If a personal or stakeholder pension please provide policy/scheme number
		From	To	

Pension scheme members should enclose all formal notifications, policies or documents relating to any other pension schemes to which they belonged with their completed form. They will be treated in strictest confidence and returned to you after all relevant detail has been recorded.

5. Previous Local Government Pension Scheme (LGPS) membership

Have you previously paid into the LGPS?

Yes ☐ No ☐

If Yes were you paying additional contributions to purchase 'added years'?

Yes ☐ No ☐

Pre 2014 membership only

If you are already in receipt of a pension from the LGPS you must write to the authority that pays that pension and inform them that you are again eligible to join the LGPS. If you are receiving a pension in respect of any previous Local Government Pension Scheme employment and you re-join an Authority that offers the LGPS (regardless of whether or not you join the scheme) your pension may be reduced or suspended.

6. Death grant – expression of wish

I wish the Council, in the exercise of its discretion in the payment of lump-sum death benefits, to consider paying any lump-sum death benefit due under the Pension Scheme Regulations to:

Name	Relationship	Proportion *
		%
		%
		%
		%

Should you wish to nominate additional beneficiaries, please continue on a separate sheet.

* The total of the proportion of benefits must equal 100%.

7. Declaration

To the best of my knowledge and belief the details supplied on this form are accurate and complete.

Date	
Signature	

Please return the completed form to ESCC, Pensions Team, PO Box 2681, Uckfield, East Sussex, TN22 1WT or to your employer.

All information will be treated in strictest confidence.

Guidance notes

The East Sussex County Council Pension Scheme is part of the Local Government Pension Scheme (LGPS). It provides pension benefits for employees of various councils and public authorities across East Sussex.

The purpose of this form is for staff of employers who are participating in the East Sussex County Council Pension Scheme to let us know whether they want to:

- Join the pension scheme
- transfer other pension rights into the scheme
- nominate a beneficiary on the event of your death.

Joining the Local Government Pension Scheme (LGPS) for the first time

If you are under age 75 and have a contract of employment for a minimum of 3 months you will become a member of the scheme automatically, unless you opt not to do so. Although membership is automatic, it is important that you complete and return this form. You can also elect to join the scheme if you do not have a contract of employment for a minimum of three months.

Please note that once you have completed 2 years scheme membership you will qualify for retirement benefits and will not be permitted to claim a refund of contributions.

Opting out of the LGPS

You may opt to leave the LGPS at any time, although you are recommended to obtain advice before making such a decision. Once you have completed two years scheme membership or have transferred other benefits into the LGPS you will qualify for retirement benefits and will not be permitted to claim a refund of contributions. An opt out form can be obtained from the scheme administrators.

If you opt out, you can re-join the LGPS at any time, but you are required to complete a new LGPS-1 form within three months of the date of starting.

Rejoining the LGPS

If you wish to consider combining a previous period of LGPS membership you must elect to do so within 12 months of rejoining the LGPS, or such longer period as your employer may allow. Under certain conditions, membership from a previous employment is automatically aggregated unless you elect to retain separate benefits, again within 12 months of rejoining.

The pension scheme administrators will provide you with information in order to assist you in making a decision.

Whether or not you decide to combine LGPS membership periods, your decision will be irrevocable, and you will not be able to change it at a later date.

Transferring pension rights from non-LGPS pension schemes

The LGPS can accept a transfer of pension rights from most pension schemes and we can investigate this option for you. You will not be committing yourself to anything at this time and full information will be provided to you throughout the transfer process.

You will have 12 months from the date of joining the LGPS, or such longer period as your employer may allow, to decide whether you wish to transfer any previous pension rights.

You should seek independent financial advice on the best course of action to take if you are currently paying into a personal or stakeholder pension arrangement.

Death grant - expression of wish

The rules of the LGPS allow for the payment of lump sums on the death of a scheme member in certain circumstances. Whilst the County Council has absolute discretion as to who to pay such a lump sum to, you can let us know who you would like this paid to. The nominated beneficiary can be a relative, friend, or an organisation such as a club or charity. You can nominate more than one beneficiary.

You may revise your nomination at any time by completing Expression of Wish Form DG1.

Annual pension benefit statement

Each year we will provide you with an annual pension benefit statement, setting out a summary of the benefits you have earned in the LGPS. We can also include details of your state pension entitlement.

If you would like us to include information about your state pension in your benefit statement, we need first to tell the Department of Work and Pensions (DWP) your surname or family name, forenames, sex, date of birth and national insurance number. The DWP will then be able to tell us about the state pension you have earned so far, what your state pension is likely to be when you retire and the age at which you can get state retirement pension. The information we get from the DWP will be used only for the purposes of providing you with a forecast of your pension rights.

Please read appendix B(a) opt-out which is enclosed with this form. If you object to us giving the DWP your details, please return the tear off slip. You retain the right to change your mind at a later date by contacting the pension administrator, ESCC.

Nomination of Cohabiting Partner for Survivor's Pension-

The LGPS allows you to nominate a cohabiting partner. **However, to be able to make a nomination, all of the following conditions must have applied to both you and your nominated co-habiting partner for a continuous period of at least 2 years on the date you both sign the nomination form:**

- both you and your nominated co-habiting partner are, and have been, free to marry each other or enter into a civil partnership with each other, and
- you and your nominated co-habiting partner have been living together as if you were husband and wife, or civil partners, and
- neither you or your nominated co-habiting partner have been living with someone else as if you/they were husband and wife or civil partners, and
- either your nominated co-habiting partner is financially dependent on you or you are financially interdependent on each other.

Full details and a nomination form are available online at www.eastsussexpensionfund.org
Alternatively you can contact the ESCC Pensions Team at the address shown below.

Further information

Should you require further information about the Local Government Pension Scheme, please refer to the employee's guide, available online at www.eastsussexpensionfund.org. Alternatively, you may contact the pension scheme administrators, at:

Pensions, Business Operations, East F, County Hall, St Anne's Crescent, Lewes, East Sussex, BN7 1UE

Pensions helpline: 01825 744544

Email: escc.pensions@sesharedservices.org.uk

Appendix B(a) – State Pension Forecast Opt-out
Your Annual Pension Statement

Local Government Pension Scheme	
Administered by ESCC	

Dear scheme member

We would like to include information about your State Pension in the Local Government Pension Scheme annual statement we will be sending you. This will give you a clear picture of the income you are likely to receive in retirement and help you decide whether you need to save more.

The law requires us to ensure that you do not object before we exchange information with The Pension Service, part of the Department for Work and Pensions.

So that The Pension Service can identify the correct National Insurance account we will give them your:

- surname or family name;
- first name or initial;
- sex;
- date of birth;
- National Insurance number

The Pension Service will then give us:

- an estimate of the amount of State Pension you may get at State Pension age, based on your contribution record so far;
- an estimate of the amount your State Pension is likely to be when you reach State Pension age.
- the earliest age at which you can receive your State Pension.

We will use the information we get from The Pension Service to send you a forecast of your State Pension entitlement, combined with your Local Government Pension Scheme entitlement if you are a scheme member. We will continue to send you forecasts for as long as you are a member of the pension scheme or employed by this company. The information will not be used for any other purpose.

If you are happy for us to exchange the information shown above with the Pension Service, **you do not need to do anything**. If you do not want to receive a State Pension forecast please fill in and return the attached tear-off slip or reply by e-mail to escc.pensions@sesharedservices.org.uk. If you are a Scheme member you will still receive your next annual benefit statement, but it will not include any information about the State Pension. Whatever you decide, if you change your mind at a later date you should contact the Pensions Team at ESCC and tell them of your decision.

I do not want ESCC to give me a State Pension forecast.

Your name	
National Insurance number	
Your signature	
Date	

**Local Government Pension Scheme
Statutory Notification
Explanatory Notes**



Form LGPS-SN1

Please find enclosed Local Government Pension Scheme (LGPS) Statutory Notification. This notification informs you of the decision that has been made by your employer to enter you into the LGPS.

Please check the information on the notification carefully and notify the pensions team if it is incorrect so that our records can be updated.

Please ensure that your employer has issued the following forms to you:

LGPS-1 – membership questionnaire	<p>Use this form to:</p> <ul style="list-style-type: none"> • Inform us whether you wish to remain in or opt out of the LGPS. • Inform us of any previous pension rights that you may wish to transfer. • Let us know who you would like any death grant paid to in the event of their death. • Find out about nominating a cohabiting partner.
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Please ensure that this form is returned, if applicable, as soon as possible to the pensions team in order that your wishes can be acted upon.

If you are dissatisfied with the decision taken you have the right to have the matter considered by the person appointed for the purpose of the formal pension dispute procedure. Many problems that members have are, however, resolved informally following discussions with your employer or the County Council as the pension scheme administrator. They may be caused by misunderstandings or wrong information, which can be explained or put right easily. An informal enquiry of this kind may save you a lot of time and trouble.

If you have any concerns over the decisions of either your employer or the County Council please contact the pensions team initially. If you then wish to consider the formal dispute process we can provide you with the relevant information and contact details on how to take this forward.

Should you require further information, contact the pension scheme administrators:

ESCC, Pensions Team, F Floor, East Block, County Hall, Lewes, East Sussex, BN7 1UE

Pensions helpline: 01825 744544

Email: escc.pensions@sesharedservices.org.uk

Website: www.eastsussexpensionfund.org

East Sussex CC LG Pension Fund - East Sussex County Council
Statutory Notice

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Date of Birth
Employer : E

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Current Working Hours :	Whole Time	Membership Category :	CLASS-A
Date of admission or :	17/03/2008	Rate of Contribution :	6.50%
change of conditions			

Employer	From	To	Part-Time Percentage	Benefit Membership Period	Qualifying Entitlement Period
East Sussex County Council	17/03/2008	Continuing	100.000000	07/094 /B	08/035
EMPLOYMENT GAP	01/02/2008	16/03/2008	66.056210	00/000	00/000
East Sussex County C	25/06/2007	31/01/2008	66.056210	00/146	00/221

From	To	Reason	Service
09/01/2013	10/11/2013	Parental Leave	00/306

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Local Government Pension Scheme (LGPS) New Joiner Option Form



Westminster Pension Fund

MASTER NJO 2016 V1

This form is for you if you are eligible to become a member of the Local Government Pension Scheme (LGPS).

What are the benefits of the scheme?

The LGPS is considered to be one of the best schemes in the country. The scheme offers financial security for you and your dependants by providing a wide range of benefits that includes:

- A **secure pension** payable for life with guaranteed cost of living increases
- **Tax savings** for most members
- The option to receive a **tax-free lump sum** in exchange for part of your pension
- **Immediate payment** of pension for early retirement due to permanent ill health
- **Dependants' pensions**
- Tax-free lump sum **life cover** of three years' pensionable pay
- **Transferable pension rights** if you leave before retirement
- **Contribution flexibility** – known as the 50/50 option

How much you pay

The contribution rate you pay is based on your actual yearly pensionable pay. This includes any overtime or extra hours you are paid.

Bandings from 1 April 2016		
Actual pay from	Actual pay to	You pay
Up to	£13,600	5.5%
£13,601	£21,200	5.8%
£21,201	£34,400	6.5%
£34,401	£43,500	6.8%
£43,501	£60,700	8.5%
£60,701	£86,000	9.9%
£86,001	£101,200	10.5%
£101,201	£151,800	11.4%
More than	£151,801	12.5%

Who can join?

If you are **under age 75** and have a **contract for more than three months**, you will automatically become a member of the scheme.

If you are **under age 75** and have a **contract for less than three months**, you will need to elect to join the scheme as your membership is not automatic.

Your employer may also have given you this form if you are being **auto enrolled** into the LGPS.

Where to find out more

There is a national website for members of the LGPS and this can be found at: www.lgpsmember.org
Or you can visit the Westminster Pension Fund website at: www.wccpensionfund.co.uk

What you need to do now

Would you like to join the pension scheme?

YES ☐ NO ☐ → Please go to Section 4

Do you have a contract of 3 months or more?

YES ☐ NO ☐ → If you have a contract of less than 3 months **you will need to elect to join the scheme.** You can do this by ticking the box below.

I would like to join the LGPS ☐

Please now complete Section 1 , 2 (and 3 if applicable)

If you have a contract of employment for 3 months or more you will be brought into the scheme automatically. **Please now complete Sections 1 , 2 (and 3 if applicable)**

IT IS IMPORTANT THAT YOU COMPLETE ALL SECTIONS OF THIS FORM THAT APPLY TO YOU.
ONCE YOU HAVE COMPLETED THIS FORM PLEASE RETURN IT TO YOUR HR / PAYROLL
DEPARTMENT

SECTION 1 – Your personal details

ONLY COMPLETE THIS SECTION IF YOU ARE JOINING THE LGPS

Surname:		Forename:	Title:
Your home address:			
			Postcode:
National Insurance number:		Date of birth:	
Email address:		Phone number:	
Your employer's name			
Start date with employer:		Pay number (if known):	
Your Signature:		Date:	

SECTION 2 – Expression of wish for lump sum death grant

ONLY COMPLETE THIS SECTION IF YOU ARE JOINING THE LGPS

This section is for you to name a beneficiary or beneficiaries to receive the tax free lump sum death grant payable in the event of your death. The amount payable is normally equal to three years' pensionable pay in the case of a death in service.

Please make sure you have read the notes below before completing this section.

Details of your beneficiaries

Full name	Address	Relationship to you (if any)	% share
			Total 100%

In the event of my death, I wish that any death grant is paid to the beneficiary / ies named above in the proportions stated. I confirm that I have read and understood the explanatory notes below.

Signed:

Date:

EXPLANATORY NOTES – Expression of Wish for lump sum death grant

- It is possible to name any number of individuals or incorporated or unincorporated organisations to receive the death grant.
- When completing the *Expression of Wish form* please make sure that the percentage share column is completed for each individual beneficiary, even if you have named only one, and that the total percentage share equals 100%.
- If there are more than four beneficiaries, please provide their details on a separate signed sheet of paper and attach it to this form.
- The named beneficiary / ies can be changed at any time simply by completing another *Expression of Wish form*, which can be sent on request or can be downloaded from the Westminster Pension Fund website at: www.wccpensionfund.co.uk
- Naming a beneficiary / ies will usually allow Westminster City Council (as the Administering Authority) to pay the death grant quickly and without the need to wait for your estate to be settled and Probate obtained.
- The city council retains absolute discretion as to whom any death grant is paid to. Having this discretion means the potential liability for the assessment of inheritance tax on the value of the grant will be avoided. The city council will of course have the greatest regard to your wishes in respect of payment of the grant.
- If the city council has been unable to pay the grant within two years of the date of death, the grant will form part of the estate and payment will be made to your personal representatives.

This is not the form to nominate a co-habiting partner to receive a pension in the event of your death. A form to do this is on the Westminster Pension Fund website at:

www.wccpensionfund.co.uk

SECTION 3 – Previous pension benefits

ONLY COMPLETE THIS SECTION IF YOU ARE JOINING THE LGPS

1. If you have any previous benefits in the LGPS or any other public service pension scheme, **you must let us know about them** by completing the section below. Failure to do so may affect the pension payable to you or your dependants in the future.
2. If you have **any other** pension benefits (i.e. non LGPS or public sector) that you may be interested in transferring to the LGPS, you will also need to complete this section.

Please provide as much information as possible about the pension scheme or pension arrangement that you are considering transferring. By completing this section, you are not committing yourself to going ahead with the transfer. You will not need to make a final decision until you have been given full details of the benefits that would be provided in the LGPS. **However, if you do want to transfer your benefits you must elect to do so within 12 months of joining the Westminster Pension Fund.**

Name and address of previous pension provider	Place of employment and position held	Policy / reference number	Date started	Date ceased	Tick here if you may be interested in transferring these benefits
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>

I authorise Surrey County Council acting on behalf of the administering authority, Westminster City Council, to obtain, and the trustee / administrators of the pension provider shown above, to release any information in connection with a possible transfer

Surname:

Forename:

Title:

National Insurance number:

Date of birth:

Signature:

Date:

ONCE YOU HAVE COMPLETED ALL OF THE RELEVANT SECTIONS ON THIS FORM – PLEASE RETURN IT TO YOUR HR / PAYROLL DEPARTMENT

SECTION 4 – What to do if you DO NOT want to join the scheme

If you have a contract of employment that is for three months or more, you will be brought into the scheme automatically. If you do not want to join the scheme you will need to make an election to opt out.

IMPORTANT NOTE: If you are considering opting out because you feel you are unable to pay the full contributions you can elect to pay half the full contributions and build up half the pension. This is known as the 50/50 option and Section 5 provides more information.

1. You are only able to opt out after you have actually started employment in the job you want to opt out of. If you are not a new employee but you are being auto-enrolled, you are only able to opt out after your auto enrolment date has passed.
2. If you would like to opt out of the pension scheme you can download a copy of the opt out form from the Westminster Pension Fund website at: www.wccpensionfund.co.uk or you can contact Pension Services who will send you a copy of the form. The contact details for Pension Services are shown below.
3. As long as your election to opt out of the scheme is returned **within three months** of your start date (or auto enrolment date if you are being auto enrolled) any pension contributions deducted from your pay will be refunded through the payroll.
4. If your election to opt out of the scheme is returned **after three months** (but within two years of your start date or auto enrolment date) provided you haven't transferred benefits from a previous scheme you will still be entitled to a net refund of your contributions, but an amount equivalent to the additional tax and, if you joined the scheme before 6 April 2016, National Insurance you would have paid if you had not been a member of the LGPS will have to be deducted.

SECTION 5 – The 50/50 option

There are two sections in the LGPS from 1 April 2014 – the main section and the 50/50 section. As a **short-term** alternative to paying full contributions in the main section of the scheme, the 50/50 section will allow you to remain an active member of the scheme and pay half your normal contributions rather than opting out altogether.

This may help some members who are temporarily unable to pay the full amount of contributions.

1. You are only able to make an election to move to the 50/50 section after you have actually started employment in the job you want to pay reduced contributions in. If you are not a new employee but you are being auto-enrolled, you are only able to opt to move to the 50/50 section after your auto enrolment date has passed.
2. You can either ask your employer for a copy of the *50/50 Option form* or download a copy from the Westminster Pension Fund website at: www.wccpensionfund.co.uk or you can contact Pension Services who will send you a copy of the form. The contact details for Pension Services are shown below.
3. If you choose to move to the 50/50 section, you can elect to rejoin the main section of the scheme at any time by completing a *Main Section Option form*.

The contact details for the Pension Services Team are:

Write to:	Pension Services Room 243 County Hall Kingston upon Thames Surrey KT1 2DN	Phone:	020 8213 2802
		Fax:	020 8541 9287
		Email:	myhelpdeskpensions@surreycc.gov.uk

NOTIFICATION OF APPOINTMENT (LG1)

2016 v1

ONLY TO BE COMPLETED BY SCHOOLS / EMPLOYERS WHO USE THEIR OWN PAYROLL

Name of employer

EMPLOYEE PERSONAL DETAILS

Surname:

Forename(s):

Title:

Marital status: Single / Married* / Civil partnership* / Divorced / Widow/er (Delete as appropriate)

**Please attach a photocopy of the marriage or civil partnership certificate if available.*

Address:

Post Code:

Email address:

Date of birth:

National Insurance number:

PENSIONABLE EMPLOYMENT DETAILS

Post title:

Employee contribution rate: 5.5%, 5.8%, 6.5%, 6.8%, 8.5%, 9.9% 10.5%, 11.4%, 12.5%

%

Date employment started: / /

Date joined scheme: / /

Total annual Whole Time Equivalent (WTE) pay at date of joining the scheme

£

If part time, what is the part time % of the WTE over the year?

%

DECLARATION by the employer

I declare that the information I have given above is correct and that if any of these details change, I will notify Pension Services immediately.

Signed:

Full name:

Post title:

Date:

Email address:

Phone no:

Once completed, the New Joiner Option form and the LG1 form should be returned to Pension Services. Our contact details are at the bottom of page 5.

Tel: 020 8213 2802
e-mail: myhelpdeskpensions@surreycc.gov.uk
Our Ref: Pens/W01/



City of Westminster

Working with Surrey Pension Services

Miss J Smith

Pension Services (Room 243)
Surrey County Council
County Hall
Penrhyn Road
Kingston upon Thames
Surrey KT1 2DN

20 April 2016

Dear Miss Smith

Local Government Pension Scheme (LGPS)

IMPORTANT – This letter has been sent to you because you have become a member of the LGPS on ** with *** Ltd.** Please ensure you read all the sections of this letter **AND** the enclosed leaflet, which includes information on the following:

1. What to do if you have previous benefits in the LGPS
2. What to do if you have previous pension rights with other schemes
3. Life Cover – Expression of Wish for lump sum death grant
4. Nominating a cohabiting partner for a survivor pension
5. Paying more to increase your benefits
6. What to do if there is a problem

Once you have read the information in this letter AND the enclosed leaflet, please follow the instructions on page 3 entitled ‘What you need to do now’. Failure to do so may affect the pension benefits payable to you or your dependants in the future.

What does the scheme offer?

The scheme provides financial security for you and your dependants by providing a wide range of benefits that includes:

- **Tax savings** for most members
- **Dependants’ pensions**
- Tax-free lump sum **life-cover** of three years’ pensionable pay
- Fully **transferable pension rights** if you leave before retirement
- **Contribution flexibility** – known as the 50/50 section

And, provided you have been a member of the LGPS for at least two years when you retire:

- A **secure pension** payable for life with guaranteed cost-of-living increases
- **Immediate payment** of pension for early retirement due to permanent ill-health
- The option to receive a **tax-free lump** sum in exchange for part of your pension

A *Brief Guide to the Local Government Pension Scheme 2014* is available on the pension fund website at: www.wccpensionfund.co.uk.

If you would prefer to have a paper copy of the guide, please contact Pension Services - our contact details are shown on page 6 of the attached leaflet.

How much do I pay?

As a member of the scheme you will have to pay pension contributions, which will be deducted from your pay each month. Please check your payslip to make sure that pension contributions are being deducted.

The contribution rate you pay depends on how much you are paid – this includes any overtime or extra hours you are paid.

Your contribution rate is determined by your employer at the time you become a member of the scheme and is reviewed on 1 April every year. Your employer may also choose to review your contribution rate if there has been a change in your monthly pay.

The pay bands and the rates that apply from 1 April 2016 are as follows:

Actual pay from	Actual pay to	You pay
Up to	£13,600	5.5%
£13,601	£21,200	5.8%
£21,201	£34,400	6.5%
£34,401	£43,500	6.8%
£43,501	£60,700	8.5%
£60,701	£86,000	9.9%
£86,001	£101,200	10.5%
£101,201	£151,800	11.4%
More than	£151,801	12.5%

Your employer pays in too

Your employer also makes a significant contribution to the pension fund on your behalf to go towards the cost of providing your LGPS benefits. Typically your employer's contribution accounts for around 2/3rds of the total cost.

What to do if you do not want to be a member of the scheme

The LGPS is considered to be one of the best pension schemes in the country and if you decide to opt out it is recommended that you seek independent financial advice on making alternative arrangements to provide financial protection for you and your dependants.

Please see the section below entitled 'The 50/50 Section' which provides an alternative to opting out of the scheme. However, if you still want to opt out you can download an election form from the pension fund website at: www.wccpensionfund.co.uk or you can contact Pension Services who will send you a copy on your request. Our contact details are shown on page 6 of the enclosed leaflet.

The 50/50 section

There are two sections in the LGPS – the main section and the 50/50 section.

The 50 / 50 section allows you to pay half rate contributions in return for half the benefits of the main scheme and has been designed to help members who are temporarily unable to pay the full amount of contributions remain in the scheme rather than opting out altogether.

If you would like more information about the 50/50 section, you can download a copy of the *50/50 Option form* from the pension fund website at: www.wccpensionfund.co.uk or you can contact Pension Services who will send you a copy. The contact details for Pension Services are shown on page 6 of the enclosed leaflet.

Yearly benefit statements

Each year we will send you a forecast of the LGPS benefits you could receive at retirement.

Previous pension rights

I note that you may have previous pension rights that you are interested in transferring to the Westminster pension fund. I am requesting transfer details and will write to you again when this has been received.

Members with Fixed Protection 2012, Fixed Protection 2014 or Enhanced Protection

If you applied to HMRC for, and hold, Fixed Protection 2012, Fixed Protection 2014 or Enhanced Protection then you may lose this protection as a result of joining the LGPS. Whether your protection will be lost is dependent on a number of factors including the type of protection you hold, and, if you were previously a member of the LGPS, the dates of your previous membership and whether your earlier benefits are combined with your current LGPS membership or kept separate.

In some cases, it may only be possible to retain your protection if you opt out of LGPS membership within 3 months of joining, thereby ensuring you are treated as never having been a member of the scheme on this occasion.

If you hold any of these types of protection and would like more information about how your protection may be affected by re-joining the LGPS then you should contact Pension Services.

Expression of wish for death grant

I have noted your wishes regarding the distribution of any death grant that may become payable. Details of your named beneficiary or beneficiaries will be shown on your next yearly benefit statement.

What you need to do now

Cohabiting partner

If you are not married or in a civil partnership, but you are living with your partner they may be entitled to receive a survivor's pension in the event of your death if they meet certain qualifying criteria.

Please note that you are not required to nominate your cohabiting partner, but making a nomination would help us to establish eligibility for the payment of a survivor's pension in the event of your death.

If you have a cohabiting partner and would like more information about nominating them to receive a survivor's pension, please visit the pension fund website at: www.wccpensionfund.co.uk or contact us and we will send you a nomination form.

Yours sincerely

Jason Bailey
Pension Services Manager

Enclosures:
Important information for new joiners leaflet

It will not be possible to transfer these benefits once this deadline has passed. Please complete and return a 'Previous Pension Benefits form'. You can download a copy the form from the Pension Fund website or you can contact Pension Services – our contact details are shown on page 6 of this leaflet.



Paying more to increase your basic benefits

There are two ways that you can improve your basic LGPS benefits by choosing to pay additional contributions.

Additional Pension Contributions (APCs) – If you are in the main section of the scheme you can pay more in contributions to buy up to £6,675 of extra annual pension.

What you need to do

Please contact Pension Services if you would like further details about APCs and an information pack can be sent to you. Our contact details are shown on page 6 of this leaflet.

Additional Voluntary Contributions (AVCs)

You can also contribute to the LBHF AVC plan where your additional contributions would be invested for you in a personal account maintained by Zurich Assurance Ltd

What you need to do

You can contact Zurich to find out more about AVCs by calling them on 0800 030 4428 and by visiting their website at:

www.zurich.co.uk/worksavings/retirement/

What to do if there is a problem

If you disagree with any decision made regarding your pension rights, the LGPS has a formal disputes resolution procedure to consider complaints.

If you have any queries or problems regarding your membership of the pension scheme, we hope they can be resolved informally without recourse to the formal disputes procedure. It would be appreciated if, in the first instance, you raise any queries with Pension Services.

If you do wish to make a formal complaint, a guide to the disputes procedure can be obtained by contacting Maria Bailey, Bi-Borough Pensions Manager (client team) at LBHF, by telephoning 020 7361 2333 or by emailing pensions@rbkc.gov.uk.

Contact details for Pension Services

You can contact a member of the Pension Services team in any of the following ways:

By post: Pension Services
Surrey County Council
Room 243, County Hall
Kingston upon Thames
Surrey
KT1 2DN

By email: pensions@surreycc.gov.uk

By phone: 020 8541 9291 or 9292

By fax: 020 8541 9287

Website: www.lbhfpensionfund.org

You can visit our office any time between 8.30am and 5.30pm. You can also arrange an appointment with a member of our staff.



Local Government Pension Scheme

London Borough of Hammersmith and Fulham (LBHF) Pension Fund

IMPORTANT INFORMATION FOR NEW JOINERS

2015.V1

It is important that you read all sections of this leaflet as failure to do so may affect the pension benefits payable to you or your dependants in the future.

Life Cover – Expression of Wish for lump sum death grant

If you die as a member of the scheme (and you are under the age of 75) a lump sum death grant of three years' pensionable pay will become payable.

The London Borough of Hammersmith and Fulham as the Administering Authority have complete discretion to decide who to pay any death grant to, but will take full account of your wishes.

What you need to do

It is important that you complete an *Expression of Wish form* so that you can name a beneficiary or beneficiaries to receive any death grant that may be payable in the event of your death.



If you haven't already completed an *Expression of Wish* on your *New Joiner Option Form* - you can download a copy of an *Expression of Wish form* from the Pension Fund website or you can contact Pension Services – our contact details are shown on page 6 of this leaflet.

Nominating an Eligible Cohabiting Partner for a survivor pension

If you are not married or in a civil partnership, but you are living with a partner, you may be able to nominate them to receive a pension in the event of your death, subject to certain conditions.

What you need to do

If you would like more information about cohabiting partners please visit the Pension fund website or contact us and we will send you a copy of the nomination form with details of the qualifying conditions – our contact details are shown on page 6 of this leaflet.

Please note that you are not required to nominate your cohabiting partner, but it would help us to establish eligibility for the payment of a partner's pension in the event of your death if you were to do so.



What to do if you have previous benefits in the LGPS

If you have deferred benefits in the LGPS, these will normally automatically be joined with your new active pension account unless you elect to keep them separate. **If you do not want to join your deferred benefits together, you must make your election to keep them separate within 12 months of re-joining the scheme.**

If you became entitled to deferred benefits because you elected to opt out of LGPS membership after 10 April 2015 you will not be able to join your two periods of LGPS membership.

If you have a deferred refund this **must** be joined with your new active pension account and you will not be able to elect to keep separate benefits.

What you need to do

If you have previous benefits in the LGPS or any other public sector scheme **you must let us know about them** by completing and returning a *Previous Pension Benefits form*. If you haven't already completed a *Previous Pension Benefits election* on your *New Joiner Option Form* - you can download a copy of the form from the Pension Fund website or you can contact Pension Services – our contact details are shown on page 6 of this leaflet.



What to do if you have previous pension rights with other pension schemes

If you have paid into another non-LGPS pension arrangement, you may be able to transfer these previous pension rights into the LGPS (provided you are not already drawing them as a pension).

What you need to do

If you are interested in investigating a possible transfer of your previous pension rights you will need to make your election to do so **within 12 months of joining the LGPS**.

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Report to: Pension Board

Date: 12 May 2016

By: Chief Operating Officer

Title: Officers' Report – General Update

Purpose: 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 Pension Board and Committee 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 £4.8m; 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	Original 2015/16 £m	Projected Outturn 2015/16 £m	Variance £m
Employees Contributions	27.4	27.9	0.5
Employers Contributions	87.5	87.3	(0.2)
Deficit Recovery	3.5	5.1	1.6
Transfers In	5.8	3.7	(2.1)
TOTAL INCOME	124.2	124.0	(0.2)
Pensions Benefits Paid	(97.7)	(98.3)	(0.6)
Pensions Lump Sum Paid	(17.4)	(20.1)	(2.7)
Administration expenses	(2.2)	(1.8)	0.4
Transfers Out (excluding Probation transfer)	(3.4)	(5.1)	(1.7)
TOTAL EXPENDITURE	(120.7)	(125.3)	(4.6)
SURPLUS CASH	3.5	(1.3)	(4.8)

3. National Development - updates

Local Government Pension Scheme (LGPS) pooling and Funds Collaboration

3.1 The Pension Committee at its meeting on 8 February 2016 considered and agreed that the fund will join ACCESS (i.e., A Collection of Central, Eastern and Southern Shires) as the preferred

option for the Fund, working with other like-minded funds within the ACCESS Group to create a pool of over £30bn in size, with which the consultation response was submitted.

3.2 The ACCESS pool will be established on a multi-asset basis, and ensure the majority of fee savings can be achieved but still allow individual participating funds to make a meaningful contribution to the governance of the pool.

3.3 The Government's investment reform programme is ambitious and the risks should not be underestimated. ACCESS is keen to explore LGPS-wide collaboration for the creation of a national infrastructure investment platform, to share best practice and to manage transitions.

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.

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 three months is attached as Appendix 1.

6. Pension Board Agenda – August 2016

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

- Statement of investment principles
- Investment strategy and Manager benchmark
- Investment/Admin Consultant Performance
- Review of fund managers fee arrangements
- Bulk Transfer, Cessations and Admission policies

7. Conclusion and reasons for recommendations

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

KEVIN FOSTER
Chief Operating Officer

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

Background Documents:

None

Employer Movements Overview - January 2016 to April 2016

<u>New Employers admitted under CFO delegation*</u>		
No new admitted bodies have joined the Fund since the last update.		
<u>New Employers – scheduled or resolution bodies</u>		
Employer Name	Date Joined	
Hadlow Down Parish Council	01/04/2016	
Sir Henry Fermor Academy	01/04/2016	
The Southfield Trust	01/04/2016	
<u>Employers who have ceased in the Fund</u>		
Employer Name	Date Ceased	Cessation
Education Futures Trust	*31/12/2015	Nil cessation

* Ceased in Fund on 31/12/2015, cessation finalised during January 2016

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: 12 May 2016

By: Chief Operating Officer

Title: Pension Board Forward Plan 2016/17

Purpose: To set out the Pension Board Forward plan for 2016-17. The Plan includes the key objectives for the Board, training strategy/plan for the Board and Board Member training log.

RECOMMENDATIONS – The Board is recommended to note the updated Pension Board Forward Plan, Pension Committee Forward Plan, Training Log, 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 This report contain an updated 2016/17 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 in 2016/17.

3. Pensions Regulator Training Toolkit

3.1 The Pensions Regulator has provided an on-line training resource to assist those involved with the public sector pension schemes. This is accessed via a “Trustee Toolkit” link on its website. It provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes.

3.2 The Regulator suggests that each module’s tutorial should take no more than 30 minutes to complete. The modules will assist with meeting the minimum knowledge and understanding requirements in relation to the contents of the Code of Practice, but would not meet the knowledge and skills requirements in other areas such as Scheme regulations, the Fund’s specific policies and the more general pension’s legislation. Therefore, this toolkit should be used to supplement the existing training plans.

4. Member Training Log Template

4.1 Training is an essential component of the Pension Committee/Board role. Taking into consideration, the changing pensions governance and administration environment, members and representative’s needs to be re-equipped with up-to-date skills and knowledge concerning their role.

4.2 Hence, a member training log (*template on page 23 of the Forward Plan*) is necessary to track the types of training that the Committee/Board member has undergone. It can be used to note the types of training, date and the effectiveness of the training as well as follow up sessions. Keeping members updated with the pension governance skills and knowledge benefits the Pension Fund administration.

4.3 A training log allows the scheme manager (ESCC) an overview of the effectiveness of the training for a future follow-up training like a refresher course, and the log template can also be used to prepare reports to the scheme manager on the types of training and their effectiveness. The training costs can also be included in the training log for accountability of funds.

5. Joint Pension Board and Committee Training Session

5.1 The topics to be covered are detailed within the Pension Board and Committee Forward/Training plan. The second joint training session is scheduled to take place on ***Tuesday 14th June 2016.***

6. Conclusion and reasons for recommendations

6.1 The Board is requested to note the updated Pension Board Forward Plan, Pension Committee Forward Plan, Training Log, and the Joint Training date.

KEVIN FOSTER
Chief Operating Officer

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

Background Documents:

None

EAST SUSSEX PENSION FUND

PENSION COMMITTEE/BOARD FORWARD PLAN 2016-17

May 2016

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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 2016/17. 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	May 2016	August 2016	November 2016	February 2017	May 2017	August 2017	November 2017	February 2018	May 2018	August 2018	November 2018
Item											
1	Key member and employer communications	Statement of investment principles	Internal dispute resolution procedure	Policies of the administering Authority <ul style="list-style-type: none"> · conflicts of interests · record-keeping/meeting attendance · data protection and freedom of information 	Key member and employer communications	Governance Compliance Statement	Internal dispute resolution procedure	Policies of the administering Authority <ul style="list-style-type: none"> · conflicts of interests · record-keeping/meeting attendance · data protection and freedom of information 	Key member and employer communications	Governance Compliance Statement	Internal dispute resolution procedure
2	Discretionary policy statement	Investment strategy and Manager benchmark	Internal Control Register	Reporting breaches	Discretionary policy statement	Statement of investment principles	Internal Control Register	Reporting breaches	Discretionary policy statement	Statement of investment principles	Internal Control Register
3	External Assurance Reports from Third Parties	Investment/Admin Consultant Performance	Risk register	Funding Strategy Statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarking	Risk register	Communications policy statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarking	Risk register

East Sussex Pension Fund

PENSION BOARD FORWARD/BUSINESS PLAN											
Date Item	May 2016	August 2016	November 2016	February 2017	May 2017	August 2017	November 2017	February 2018	May 2018	August 2018	November 2018
4	Annual Report	Review on fee arrangements	CIPFA Benchmarking	Communications policy statement	Annual Report	Investment/Admin Consultant Performance	CIPFA Benchmarking	Investment/Admin Consultant Performance	Annual Report	Investment/Admin Consultant Performance	CIPFA Benchmarking
5	Internal dispute resolution procedure	Bulk Transfer, Cessations and Admission policies	Investment/Admin Consultant Performance	Funds Actuarial Valuation Report	Bulk Transfer, Cessations and Admission policies	Review on fee arrangements			Bulk Transfer, Cessations and Admission policies	Review on fee arrangements	Investment/Admin Consultant Performance
6				Pension administration statement							

2. PENSION COMMITTEE – FORWARD/BUSINESS PLAN

PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date	May 2016	September 2016	November 2016	February 2017	May 2017	September 2017	November 2017	February 2018	May 2018	September 2018	November 2018
Item											
1	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
2	Discretionary policy 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	Risk register
3		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/Training Plan
4		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	

PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date Item	May 2016	September 2016	November 2016	February 2017	May 2017	September 2017	November 2017	February 2018	May 2018	September 2018	November 2018
5		Bulk Transfer, Cessations and Admission policies		Pension administrati on statement							

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"> • On site or off site • Using an Online Knowledge Portal or other e-training facilities • Attending courses, seminars and external events • Internally developed training days • Short sessions on topical issues or scheme-specific issues • Informal discussion and One to one • Shared training with other Funds or Frameworks • Regular updates from officers and/or advisors • A formal presentation 	<ul style="list-style-type: none"> • Desktop/work based training • Using an Online Knowledge Portal or other e-training facilities • Attending courses, seminars and external events • A workshop with participation • Short sessions on topical issues or scheme-specific issues • Informal discussion and One to one • Training for qualifications from recognised professional bodies (e.g. CIPFA, ACCA, etc.) • Internally developed sessions • Shared training with other Funds or Framework

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.

7. Pensions Regulator Training Toolkit

The Pensions Regulator has provided an on-line training resource to assist those involved with the public sector pension schemes. This is accessed via a "Trustee Toolkit" link on its website.

It provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes. Each module provides an option to complete an interactive tutorial online and an assessment to test knowledge. The modules are:

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law.

The Regulator suggests that each module's tutorial should take no more than 30 minutes to complete. The modules will assist with meeting the minimum knowledge and understanding requirements in relation to the contents of the Code of Practice, but would not meet the knowledge and skills requirements in other areas such as Scheme regulations, the Fund's specific policies and the more general pensions legislation. Therefore, this toolkit should be used to supplement the existing training plans.

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
GENERAL TRAINING								
General overview of LGPS - Induction <ul style="list-style-type: none"> Member's Role 	✓						1	Completed
Members individual needs on specific areas arising during the year <ul style="list-style-type: none"> Advisory Board e-learning 	✓	✓			✓	✓ ✓	1,3,4	As required – notify Head of Accounts and Pensions
Pre- committee meeting/agendas <ul style="list-style-type: none"> Specific investment Topics Services and providers Procurement process for 		✓ ✓ ✓	✓ ✓ ✓				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"> • Performance measurement • Accounts and audit regulations • Role of internal and external audit • Fund responsibilities/ policy • Pension Discretions • Safeguarding the Fund's Assets 		✓ ✓ ✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓ ✓ ✓					
Pension Fund Forum <ul style="list-style-type: none"> • Valuation Process • Knowledge of the valuation process and the need for a funding strategy • Implications for employers of ill health and outsourcing decisions • Importance of monitoring asset returns relative to liabilities 				✓			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"> LGPS discretions & policies Implications of the Hutton Review 		✓	✓	✓	✓		1,6	
Pensions Legislation & Governance: <ul style="list-style-type: none"> Roles of the Pension Regulator, Pension Advisory Service & Pension Ombudsman in relation to the scheme Review of Myners principles and associated CIPFA & SOLACE guidance 		✓ ✓		✓ ✓			1,2,	
Pension Accounting & Auditing standards: <ul style="list-style-type: none"> Accounts & Audit regulations and the legislative requirements 			✓				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"> Current public procurement policy & procedures UK & EU procurement legislation 				✓ ✓			3,5,6	
Investment Performance & Risk Management: <ul style="list-style-type: none"> Monitoring asset returns relative to liabilities Myners principles of performance management Setting targets for committee and how to report against them 				✓ ✓ ✓	✓		3,5,6	Invite to be circulated to when relevant
Financial markets & products knowledge: <ul style="list-style-type: none"> Refresh the importance of setting investment strategy Limits placed by regulation on investment activities in 			✓	✓	✓		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"> Understanding of the operations of the fixed income manager Understanding of Alternative asset classes 				✓			4,5,6	
Pension Administration - <ul style="list-style-type: none"> Shared service 		✓	✓	✓			2,6	
Actuarial methods, standards and practices: <ul style="list-style-type: none"> Considerations in relation to outsourcings and bulk transfers Triennial Valuation refresher 		✓ ✓					1 6	
CHAIRMAN TRAINING								
<ul style="list-style-type: none"> Fund Benchmarking Stakeholder feedback Appreciation of changes to scheme rules 	✓ ✓				✓		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
EXTERNAL SEMINARS AND CONFERENCES								
NAPF Local Govt Conference <ul style="list-style-type: none"> Refresher training Keeping abreast of current development 					✓ ✓		1,3,4,5	
LGC Investment Conference <ul style="list-style-type: none"> Fund Manager events and networking 					✓ ✓		1,2,3,4,5,6	

Key

The six areas covered within the CIPFA Knowledge and Skills Framework (KSF):

- | | |
|---|-------------|
| 1. Pension Legislation & Governance Context | KSF1 |
| 2. Pensions Accounting & Auditing Standards | KSF2 |
| 3. Financial Services Procurement & Relationship Management | KSF3 |
| 4. Investment Performance & Risk Management | KSF4 |
| 5. Financial Markets & Products Knowledge | KSF5 |
| 6. Actuarial Methods, Standards & Practices | KSF6 |

EAST SUSSEX PENSION BOARD – TRAINING LOG

Member/Representative Name:

Subject/Description of training	Date completed	Suggested Further Action?
Benefit Structure		
Joining	22 February 2016	
Contributions	22 February 2016	
Benefits	22 February 2016	
Transfers	22 February 2016	
Retirement	22 February 2016	
Increasing benefits	22 February 2016	
Code of Practice		
About the code	22 February 2016	
Governing your scheme	22 February 2016	
Risk	22 February 2016	
Administration	22 February 2016	
Resolving issues	22 February 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		

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
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		
2016 Triennial Valuation refresher		
Funding principles and preparing for the 2016 valuation;		
Valuation basics		
Role of the PC & LPB		
Purpose of the valuation / Funding Strategy Statement		
2013 valuation overview		
Whole fund and employer results		
Contribution stability / Like for like results		
Funding strategy		
Employer risk / Employer specific funding objectives		
Experience from 2013 to 2016		
Markets (asset returns and yields)		

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Longevity experience		
TPR's Public Sector Online Toolkit (7 modules)		
Conflicts of Interest		
Managing Risk and Internal Control		
Maintaining Accurate Records		
Maintaining Member Contributions		
Providing Information to Members and Others		
Resolving Internal Disputes		
Reporting Breaches of the Law		
TPR Code of Practice no. 14		
Governing Your Scheme		
Managing Risks		
Administration		
Resolving Issues		
Pensions Legislation		
The Legislative Framework for Pensions in the UK		
LGPS Regulations and Statutory Guidance		
LGPS Discretions		
Other Legislation		

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Pensions Governance		
Understanding National and Local Governance Structure		
Knowledge of Pension Fund Stakeholders		
Knowledge of Pension Fund Stakeholder Consultation and Communication		
Governance Policies		
Pension Administration		
Understanding Best Practice		
Interaction with HMRC		
Additional Voluntary Contributions		
The Role of the Scheme Employer		
Stewardship Report		
Pensions Accounting and Auditing Standards		
Understanding the Accounts and Audit Regulations		
The Role of Internal and External Audit		
Third Party Contracts		
Investment Performance and Risk Management		
Monitoring Assets and Assessing Long-Term Risk		
Myners Principles of Performance Management		
Awareness of Support Services		

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Understanding Risk and Return of Fund Assets		
Understanding the Financial Markets		
LGPS (Management and Investment of Funds) Regulations		
HMRC and Overseas Taxation		
Procurement and Relationship Management		
Public Procurement Policy and Procedures		
Brief Overview of UK and EU Procurement Legislation		
How the Pension Fund Monitors and Manages its Outsourced Providers		
Additional Training		

AVAILABLE TRAINING AND CONFERENCES 2016 – 2017

Date	Conference/Event	Run By	Delegates/Cost
26 May 2016	LGPS Infrastrucuter and Illiquid Forum	BlackRock	Free
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
On-Line Training			
www.thepensionsregulator.gov.uk	Pension Education Portal	Pensions Regulator	Free on-line
http://www.lgpsregs.org/	LGPS Regulations and Guidance	LGPS Regulations and Guidance	Free on-line
http://www.lgps2014.org/	LGPS 2014 members website	LGPS 2014 website	Free on-line
www.local.gov.uk	LGA website	Local Government Association	Free on-line

Joint Pension Committee and Pension Board Training Session Members Training - Forward Plan

JOINT PENSION COMMITTEE AND PENSION BOARD - FORWARD PLAN					
Date	22 February 2016	14 June 2016	18 July 2016	October 2016	November 2018
Topics	<ul style="list-style-type: none"> Pension Discretions Procurement process for services provided externally 	<ul style="list-style-type: none"> LGPS – Legislative and Governance context; Conflicts of Interest and Reporting Requirements; Consideration of the Committee and Pension Board's responsibilities; Conflicts of interest 2016 Triennial Valuation 	<ul style="list-style-type: none"> Valuation assumption setting Consistency of assumptions with investment beliefs 2016 valuation early warning Valuation timetable and next steps 	<ul style="list-style-type: none"> Roles of the Pension Regulator Pension Administration - Business Ops Review of Myners principles 	<ul style="list-style-type: none"> LGPS discretions & policies Safeguarding the Fund's Assets

Pension Board and Pension Committee – Joint Training Session

The following proposed training will take the form of 1 whole day session in June 2016 delivered jointly to the Pension Committee and Local Pension Board.

Session 2 – 14 June 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

2016 Triennial Valuation refresher

- Funding principles and preparing for the 2016 valuation;
 - Valuation basics
- Role of the PC & LPB / Purpose of the valuation / Funding Strategy Statement
 - 2013 valuation overview
- Whole fund and employer results / Contribution stability / Like for like results
 - Funding strategy
- Employer risk / Employer specific funding objectives
 - Experience from 2013 to 2016
- Markets (asset returns and yields)
- Longevity experience

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