East Sussex County Council

PENSION BOARD

THURSDAY, 3 NOVEMBER 2016

10.00 AM CC2, COUNTY HALL, LEWES

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

A G E N D A

1 Minutes *(Pages 3 - 8)*

2 Apologies for absence

3 Disclosure of interests

4 Pension Committee Agenda *(Pages 9 - 50)*

5 LGPS Management & Investment of Funds Regulations 2016 and Investment Strategy Statement (ISS) Guidance *(Pages 51 - 70)*

6 Pension Fund Risk Register *(Pages 71 - 80)*

7 Internal Audit report - Pension Fund Governance and Investments *(Pages 81 - 82)*

8 Funds Actuarial Valuation Report - Draft *(To Follow)*

9a Officers' Report - Business Operations *(Pages 83 - 86)*

9b Officers' Report - General Update *(Pages 87 - 100)*
- Employers Forum 2016 itinerary.

10 Forward Plan *(Pages 101 - 134)*

11 Any other business

12 Exclusion of the press and public

To consider excluding the public and press from the meeting for the remaining items of the agenda on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in Category 1 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), namely information relating to any individual; and Category 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

13 Pension Committee Agenda *(Pages 135 - 138)*

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

26 October 2016

Contact Harvey Winder, Democratic Services Officer,
01273 481796
Email: harvey.winder@eastsussex.gov.uk

PENSION BOARD

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

PRESENT: Richard Harbord (Chair) Councillor Kevin Allen, Angie Embury, Sue McHugh, Councillor Brian Redman and Tony Watson

ALSO PRESENT: Cllr Richard Stogdon, Chair of Pension Comittee
Marion Kelly, Chief Finance Officer
Ola Owolabi, Head of Accounts and Pensions
Brian Smith, Regional Operations Manager
Jason Bailey, Pension Services Manager
Wendy Neller, Pensions Strategy and Governance Manager
John Shepherd, Finance Manager (Pension Fund)
Harvey Winder, Democratic Services Officer

10 MINUTES

10.1 The Board agreed that the minutes were a correct record of the meeting held on 12 May 2016.

11 APOLOGIES FOR ABSENCE

11.1 There were no apologies for absence.

11.2 It was noted that David Zwirek had resigned as a scheme member representative meaning that there was currently a vacancy on the Board. A new GMB member is expected to be nominated to this position in due course.

12 DISCLOSURE OF INTERESTS

12.1 There were none.

13 PENSION COMMITTEE AGENDA

13.1. This item was introduced by Ola Owolabi (OO).

13.2. In reference to **Item 9 Petition – Divest East Sussex Pension Fund from fossil fuels** Councillor Brian Redman (BR) said that during his time as a member of the Pension Fund Investment Panel, the Panel had worked actively to ensure that investment managers working for the East Sussex Pension Fund (ESPF) influenced the companies in which they had invested ESPF funds to behave in an ethical way.

13.3. BR said that he had been to a Local Authority Pension Fund Forum (LAPFF) meeting in December in Bournemouth and had been reassured that the issue of ethical investment for Local Government Pension Schemes (LGPS) was being taken seriously by the Forum – a considerable amount of the meeting was spent on the matter. BR was confident that ethical behaviour would benefit the companies themselves as they could absorb the costs of behaving more ethically whilst being reassured that investors would still be willing to invest in them. He recommended that other Board members attend the next LAPFF meeting in December.

13.4. Councillor Kevin Allen (KA) welcomed the appearance of the issue of fossil fuel disinvestment on the Pension Committee's agenda. KA informed the Board that the issue of fossil fuel disinvestment had been debated at the Brighton & Hove City Council (BHCC) Full Council meeting. He speculated that had the notice of motion been as straightforward as the one that passed at Hastings Borough Council it would have been passed (in the event, it was not). He said that individual councillors will continue to receive requests to endorse disinvestment and the Board should take disinvestment seriously, provided that it does not interfere with the ESPF administering authority's fiduciary duties. KA added that it was important that the petitioners were informed of this fiduciary duty. Marion Kelly (MK) said that the issue of disinvestment was higher on the priority list of LGPSs than it had been 10 years ago.

13.5. Sue McHugh (SM) recommended that any analysis of the value in fossil fuel disinvestment ought to include a quantified cost to the ESPF of disinvestment – be it over the short or long term. SM felt that only presenting the argument that investment allowed the ESPF to influence the ethical behaviour of companies was unlikely to be sufficient to convince people of the value of investing in those companies. OO confirmed that the ESPF's investment consultant (Hymans Robertson) had been approached to provide analysis of the costs of disinvestment for the Pension Committee meeting in September. MK added that it was a complex task to calculate the financial outcome of disinvestment.

13.6. The Chair said that it was right that the ESPF embraced the principle of ethical investment. However, he cautioned that a policy of disinvestment was complicated by the need to ensure that employers and council tax payers were not adversely affected; the fact that the Fund invests in large multinational companies that may produce products considered by others to be unethical – such as alcohol and tobacco; and the fact that large multinationals may have a complex web of subsidiary companies, some of which may behave unethically. The Chair added that pension fund members in Canada were involved in an $18bn class action law suit for lost earnings through tobacco disinvestment.

13.7. Councillor Richard Stogdon (RS) the Chair of the Pension Committee said that the Committee would consider the issue of disinvestment carefully, but he cautioned that it would be difficult for the Committee to justify to the 69,000 members in the ESPF the underperformance of the Fund compared to its neighbouring pension funds – should that be an outcome of disinvestment. RS reiterated the Chair's concern over the difficulty in deciding what is and is not an ethical company; and he added that disinvestment carried the additional risk of reducing the spread of investments and making the Fund more susceptible to market fluctuations.

13.8. KA said that he understood analysis had been undertaken, and was available online, of the extent to which the LGPSs invested in fossil fuels. KA said that the website showed that some funds have performed well despite reducing investment in fossil fuel, in particular Lancashire County Pension Fund.

13.9. In reference to **Item 10 – Statement of Investment Principles**, the Board was satisfied that there had been no major changes to the Statement of Investment principles over the last year.

13.10. The Board RESOLVED to note the report.

14 <u>REVIEW OF FUND MANAGERS FEE ARRANGEMENTS</u>

14.1. This Item was introduced by OO.

14.2. Angie Embury (AE) questioned whether the increase in investment management fees of 2% in 2015/16 offered value for money when the ESPF fund value had only increased by 1%. OO said that these increases needed to be considered in terms of their monetary value; the increase in fees had been £0.2m but this had led to an increase in the fund value of £24.9m in 2015/16.

14.3. AE asked whether there was a breakdown available of the assets held by ESPF that showed the transaction costs of those assets, as this was available in Holland and UNISON had conducted a breakdown of its own pension fund investment transactions. OO explained that analysing the cost to the fund of each transaction fee would be very complex given how the cost of transacting private equities was very varied. However, the Investment Management Agreement (IMA) between ESPF and investment managers includes an agreement of the acceptable range of transaction charges the investment manager should be willing to pay when buying or selling assets. The ESPF's external auditor, KPMG, has access to these agreements.

14.4. The Chair asked whether the external auditor looked for any evidence of unnecessary 'churn' of equities as this would indicate that investment managers were making additional money through transaction fees. He added that he did not expect there to be any evidence of this kind of behaviour. OO said that KPMG only look at ESPF. However, the complexity and variety of the market and the funds' strategies means that it would be very difficult to meaningfully compare two different funds, for example, they may be investing in equities with higher transaction costs, or investing in more long term equities and so would make fewer transactions.

14.5. AE suggested that transaction fees could be lowered if ESPF invested more in passive managers than active managers, even if that resulted in lower returns. MK said that active fund managers do not have a high amount of churn as they more often than not opt for long term equities, and the ESPF strategy is to opt for long term equities. Passive managers, on the other hand, have more churn because they are looking to replicate the performance of the markets.

14.6. SM asked for confirmation that the figures in appendix 1 – showing the value of each investment managers' portion of the ESPF – took account of the transaction costs. MK confirmed that the value of the fund was net of the cost of the transaction fees, and the fees paid to the investment managers did not include the transaction fees.

14.7. SM noted that the investment managers were being paid regardless of performance and asked if there was any value in a fee structure for investment managers that incentivised performance. The Chair observed that the idea of incentivised payments had been around for a long time but had not always been successful due to the fact that they encouraged investment managers to take unnecessary risks.

14.8. MK said that at the moment it was difficult to negotiate lower fees because investment managers operate on the principle that they won't provide lower fees than those that they provide to other LGPS. However, the ACCESS pooling group may have sufficient negotiating power to reduce fees in the future.

14.9. The Board RESOLVED to 1) note the report; and 2) request a report to be circulated by email providing a breakdown of the number of transactions investment managers make on a quarterly basis.

15 PROGRESS REPORT ON THE 2016 ACTUARIAL VALUATION

15.1. This item was introduced by OO.

15.2. OO said that the actuarial valuation timetable called for the submission of employer data, accounting data, and membership data to the actuary (Hymans Robertson) by 29 July 2016 and that both the employer and accounting data had been supplied. OO advised that this deadline would now slip due to the membership data and passed to Jason Bailey (JB) to update the Board. JB advised that the reason for the delay was the discovery of 13,000 validation queries regarding the membership data. JB said that the vast majority of the queries resulted from differences between the software suppliers (that supply the new universal data capture software used by LGPSs) and the actuarial firms regarding the data specification; this was a national issue affecting all LGPS funds as the triennial valuation is the same date for all funds (though some actuarial firms may take a slightly different approach to validation) and beyond Orbis Business Operation's control.

15.3. JB was confident that this discovery of the 13,000 validation queries was related to validation differences rather than incorrect data being held on the pensions data; and the queries were now being processed by Orbis Business Operations – with 8,000 already processed – prior to the submission to the actuary, so the quality of the data will be higher when it is submitted.

15.4. The Chair expressed concern that the difference in the data being asked for and being supplied had not been noticed during the testing period. He asked for confirmation that this would not come at a cost to the ESPF; JB said that it would not.

15.5. The Chair said that it was critical that this issue did not affect the availability of the draft employer results in time for the Employers' Forum on 18 November, as failure to reach this milestone would cause reputational damage to the administrative authority of the ESPF. Tony Watson (TW) added that this would affect the credibility of the ESPF. JB said that he was confident that the actuary's draft results would be available before then. Wendy Neller (WN) added that the actuary has advised that the delay in the submission of 'clean' membership data by up to three weeks will impact the agreed timescales for the delivery of the initial whole fund valuation results; this was scheduled to be issued during September, but is now expected to move to October. The time that the Fund has to discuss the results with the actuary in detail in relation to each employer will consequently be reduced. WN advised that delivery of membership data on a date later than 19 August 2016 will further impact the valuation timescales.

15.6. The Board RESOLVED to note the report.

16 LEGAL POSITION OF PENSION BOARDS

16.1 This item was introduced by the Chair.

16.2 The Chair explained that the opinion of James Goudie QC regarding the legal status of pension boards does not affect how the East Sussex Pension Board has been set up. However, a considerable number of other pension boards were exercising the functions of the pension committee, i.e., the management and administration of their pension fund; and were constituted as if they were local authority committees, i.e., the members of the boards were local authority elected members rather than scheme member and employer representatives.

16.3 The Board RESOLVED to note the report.

17a OFFICERS' REPORT - BUSINESS OPERATIONS

17a.1 This item was introduced by Brian Smith (BS) and JB.

17a.2 The Chair asked why the current result for the key performance indicator (KPI) "the number of estimates provided within the specified timescale of 7 days" had fallen. JB said that this was due to a 50% increase in the volume of LGPS requests in June. JB added that the KPI itself was more stringent than the industry average of 10-20 days, and the volume of requests for estimates was expected to fall as the self-service facility become available online later in the year.

17a.3 BS said the new KPIs were more customer focussed and more in line with the industry standard for other schemes, meaning that they were no longer targeted at 100% compliance. However, achieving them would still ensure that the pension fund administration service was one of the highest performing in the country. The first data would be available in November 2016.

17a.4 BR asked whether the new KPIs were in line with CIPFA standards. JB said that CIPFA does not publish nationally agreed KPIs and different pension funds tended to adopt different KPIs. There is, however, a reasonable consistency in some areas – for example, the timescales for the calculation of spouse's benefits within five days. JB said that it was questionable whether it was necessary to have a KPI target of 100% with a stringent timescale for items that had no material impact on members, and that this could lead to an increase in resourcing requirement.

17a.5 The Chair asked for assurance that the new KPIs had been set rationally and not low enough that they could be comfortably achieved each month. JB said that activity 10 and 11 – ‘Employer survey satisfaction’ and ‘Member survey satisfaction’ would give a clear indication of how the service was performing.

17a.6 AE asked whether the recruitment issues in the pension administration team had been resolved. JB said that they had been following the recruitment of four new graduates, and the team was now looking to recruit an apprentice through East Sussex County Council’s apprentice scheme.

17a.7 The Board RESOLVED to note the report.

17b <u>OFFICERS' REPORT - GENERAL UPDATE</u>

17b.1 This item was introduced by OO.

17b.2 OO added that the Government has informed ACCESS that it cannot form a joint committee as part of its operator structure and so must look at a Common Investment Vehicle (CIV) alternative. OO said ACCESS could either build its own CIV – which would require significant time and investment – or rent from two possible organisations currently being considered. OO said that the Chairs of ACCESS will meet to consider and agree the preferred option on 2 September 2016 with an expectation that it will be in place by April 2018. SM asked why only two organisations were being considered. OO understood that there were only two organisations with sufficient resources to accommodate a CIV for ACCESS, which will have in excess of £30bn of assets.

17b.3 The Chair asked when the Government would respond to the ACCESS proposal that was submitted on 15 July. OO said that the Government had indicated that feedback would take place at the end of September. The Chair was sceptical about this deadline given that the Government was on recess and would soon be embarking on the Conservative Party Conference, so there would be little time to analyse the submissions.

17b.4 KA asked why – in the letter to Marcus Jones MP – the ACCESS group expected to achieve savings only “eventually”. OO said that the savings projections were based on analysis by Hymans Robertson; he confirmed that ESPF was expected to benefit from these savings.

17b.5 KA expressed concern that there seemed to be no prospect of maintaining local decision making and accountability once the pension funds are pooled into ACCESS. KA said it was vital that Marcus Jones MP addresses this concern when he responds to the ACCESS Chair’s letter submitted alongside their proposals on 15 July 2016. The Chair observed that this issue had been raised previously and there had been little apparent sympathy. RS shared KA’s view and added that, in effect, the elected Pension Committee’s role would be handed over to an unelected organisation. AE added that local accountability was part of Unison’s campaign around pension fund pooling.

17b.6 The Board RESOLVED to 1) note the report; 2) request that a draft of the Pension Board’s annual report be circulated to the Board prior to its presentation at the Employers’ Forum

18 <u>PENSION BOARD FORWARD PLAN 2016/17</u>

18.1 This item was introduced by OO.

18.2 The Board RESOLVED to 1) note the report; and 2) request a future update on the progress of the actuary valuation at its November meeting.

19 ANY OTHER BUSINESS

19.1 There was none.

The meeting ended at 11.55 am.

Richard Harbord
Chair

Agenda Item 4

Report to: **Pension Board**

Date of meeting: **3 November 2016**

By: **Chief Operating Officer**

Title: **Pension Committee Agenda**

Purpose: **To consider and comment on the draft agenda and reports of the 30 November Pension Committee meeting**

RECOMMENDATION

The Board is recommended to consider and comment on the draft agenda and reports for the 30 November 2016 Pension Committee meeting.

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1. Background

1.1 The draft agenda items for 30 November 2016 Pension Committee are here presented to the Pension Board for information. Where possible the relevant reports are also attached.

1.2 The item "East Sussex Pension Fund: Independent Advisor" is due to be considered by the Pension Committee following the exclusion of the press and public as it contains exempt information as specified in Categories 1 & 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended). This item is being considered under a later item on the Pension Board agenda following the exclusion of the press and public.

1.3 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.

2. Conclusion and recommendation

2.1 The Board is recommended to consider and comment on the draft agenda and reports for the 30 November 2016 Pension Committee meeting.

KEVIN FOSTER
Chief Operating Officer

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

Background Documents
None

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Appendix 1

PENSION COMMITTEE

WEDNESDAY, 30 NOVEMBER 2016

10.00 AM COMMITTEE ROOM, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Richard Stogdon (Chair)
Councillors Frank Carstairs, Bob Standley, David Tutt and Michael Wincott

A G E N D A

1 Minutes

2 Apologies for absence

3 Disclosure of Interests

Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.

4 Urgent items

Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.

5 Pension Board Minutes

6 Fund Performance – M & G Infracapital

7 Quarterly Performance Report - Hymans Robertson

8 LGPS Asset Pooling – ACCESS update

9 Funds Actuarial Valuation Report - Draft results
- Investment strategy – focusing on the objectives and the parameters" Hymans

10 Officers' Report - Business Operations

11 Officers' Report - General Update

12 Forward Plan

13 Any other items previously notified under agenda item 4

14 Exclusion of the public and press

To consider excluding the public and press from the meeting for the remaining items of the agenda on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in Category 1 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), namely information relating to any individual; and Category 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

15 East Sussex Pension Fund: Independent Advisor

16 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

22 November 2016

Contact Harvey Winder, Democratic Services Officer,
01273 481796
Email: harvey.winder@eastsussex.gov.uk

DRAFT REPORT

Report to:	**Pension Committee**
Date:	**30 November 2016**
By:	**Interim Chief Finance Officer**
Title of report:	**LGPS Pooling – ACCESS Update**
Purpose of report:	**To provide the Pensions Committee with a summary and the conclusions from the ACCESS Chairs meeting including the recommendation to rent an operator.**

RECOMMENDATIONS

The Committee to note the content of this report, and approve the agreement of the Chairmen on the 2nd September 2016 to initially rent the operator function, with a view in the medium term to wholly own the operator.

1. Background

1.1 The ACCESS pool proposal for the pooling of assets was submitted to Government by the deadline date of 15 July 2016. The Government Minister and civil servants have been reviewing the pool submissions, and the formal go-ahead decision is expected before November 2016.

1.2 The work undertaken by ACCESS since the submission has primarily been focused on whether the ACCESS pool should build and own its own investment company (operator) or rent one from a third party. An evaluation of the advantages and disadvantages of owning versus renting an operator was presented to the Chairs of the Pension Committees of the ACCESS group at its 2nd September meeting, where the ACCESS Chairs agreed to recommend the renting of an operator model, and invite this Committee to endorse that decision.

2. ACCESS Pool Proposed Governance Structure.

2.1 The 13th October 2016 meeting of the ACCESS Chairmen focused on Governance and delegations, i.e. -

- Governance Structure (Appendix A);
- Agree the Terms of Reference for the Joint Governance Committee (JGC);
- Officer Working Group remit;
- Procurement of legal advisor for Inter Authority Agreement (IAA).

2.2 The purpose of the JGC is to ensure that the strategic investment requirements of the Constituent Authority funds are being met by the pool, to monitor performance of the Operator and hold the Operator to account, set out a strategic plan, short term business plan and budget for the pool.

2.3 In agreeing the Terms of Reference it is acknowledged that the role and functions of the JGC will change over time. In particular a distinction is drawn between the initial (and any subsequent) procurement and appointment of the Operator ("the procurement phase") and the continued management of the Pool ("the operational phase"). It may be necessary to review and amend the Terms of Reference, from time to time, to acknowledge changes to the purpose and functions of the JGC. Notwithstanding this, the JGC shall review its terms of reference at least annually and make recommendation to the constituent authorities as to any changes deemed necessary.

2.4 Governance work is ongoing on an Inter Authority Agreement between the eleven sponsoring Pension Funds. This will be a legally binding document addressing key issues such as- decision making powers, voting and financial arrangements, etc.

2.5 The ACCESS Fund(s) has commissioned a legal advice on the Inter-Authority Agreement (IAA) forming part of the formal governance arrangement for the pool. The expected scope of advice will include, the preparation of draft Heads of Terms for discussion, drafting of the full Inter-Authority Agreement, cost sharing arrangement, and the legal team attendance at a briefing session of the Chairmen of the individual funds.

3. To Rent or Build and Own an Operator

3.1 The Chairmen reached a unanimous agreement, at their meeting of 2 September to rent an operator initially but, given the scale of the ACCESS pool and with longer term cost efficiency in mind, there is support within the group for retaining an option to transition to a wholly owned Operator in the medium term. This agreement is subject to ratification by all of the individual administering authorities in the pool according to the applicable constitutional and governance protocols of each.

3.2 Collective work by officers and advisers has indicated there are a limited number of credible, established suppliers with a proven track record in delivering Operator services and capable of operating at the required scale (possibly between 6 and 8 potential suppliers). However analysis of the market (including discussions with potential suppliers) provides confidence that there will be sufficient choice and significant competition in the procurement process.

3.3 Analysis (Appendix B) based on input from suppliers, advisers and lawyers indicates that renting a third party Operator reduces the implementation timescale by more than six months relative to the timetable for delivery of a built and owned Operator.

3.4 As part of the assessment of the two options officers commissioned legal opinion from Eversheds and met with potential third party operators such as Capita and Mercer. In addition, Capita attended the Chairs meeting on 2 September to explain the role of an operator and the responsibilities of this role.

4. Central Government Pooling “Green Light

4.1 The potential costs of pooling across the Funds are significant, for example annual running costs of between £2m to £4m. The Chairmen therefore, unanimously agreed the need for confirmation from Central Government that the ACCESS pool proposals submitted in July 2016 are approved, prior to incurring further material costs on the Pooling agenda.

5. Investment Pooling Governance Principles for LGPS Administering Authorities

5.1 This month sees the launch of CIPFA’s guidance on Investment Pooling Governance Principles for LGPS Administering Authorities. Hymans summary attached as Appendix C. The guidance is designed to assist administering authorities in applying good governance principles as they move towards, and participate in, the new era of pooled assets. It focuses mainly on governance from the perspective of the individual authorities participating in a pool, rather than the pool’s own governance arrangements

6. Conclusion and reasons for recommendations

6.1 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, and agrees the recommendation by the ACCESS Chairs to rent an operator with the flexibility to move to an owned model in the future.

Phil Hall
Interim Chief Finance Officer

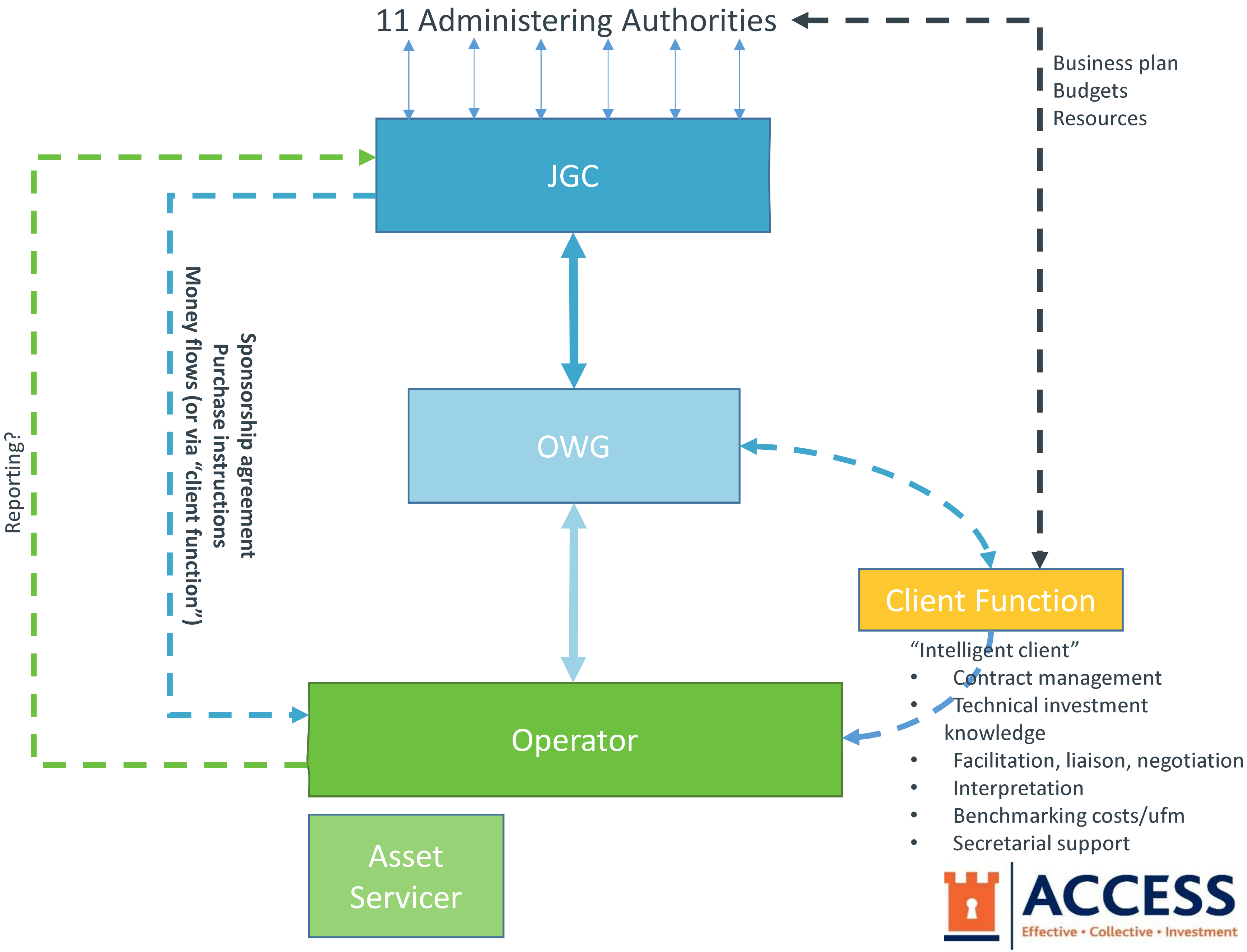
Contact Officer: Ola Owolabi, Head of Accounts and Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

Local Member(s): All
Background Documents - None

Chairmen's update meeting
13 October 2016

Appendix 3

ACCESS Governance Structure



ACCESS
Effective • Collective • Investment

Individual Fund Roles

<u>Individual funds</u>

- Strategic decisions
    - Strategic asset allocation
    - ISS/FSS
    - Investment beliefs
- Policies
    - Responsible investment
    - Rebalancing policy
    - Voting policy
    - Stock lending – what is in/out – existing/future
- Monitoring/reporting
    - Monitoring investment performance of own portfolio
    - Performance and consolidated reporting for non-pooled assets
    - Reporting for own fund (for pooled assets)
    - Consolidated reporting for pooled/non-pooled assets
- Governance
    - Holding pool to account (e.g if not happy with sub-fund performance, can ask for a review)
- Operational/BAU
    - Timing of transitions
    - Custody for non-pooled assets
    - Fund Manager relationships
    - Sub-fund choice (e.g. uk equity active)
    - Choice of single manager sub-funds

ACCESS
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Joint Governance Committee Roles

<u>Joint governance committee</u>

- Operator relationship
  - Agree on specification and supplier
  - Hold to account
- Sub-funds
  - Sub-fund design
  - Manager selection for each sub-fund
  - Access to alternatives (i.e. infrastructure)
  - Strategic migration plan
  - Consolidation of managers
- Value for money
- Strategic planning (including resourcing plan) , business plan and budget
- Governance
  - Conform with IAA (joiners/leavers/cost allocation)
  - Hold Officer Working Group (OWG) to account
  - Oversight of all assets under pool governance
- Implement common policies (e/g/ stock lending/voting)
- Cross pool liaison
- Approve other advisors and suppliers

ACCESS
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Operator Responsibilities

Operator

Core responsibilities

- Fund administration
- All regulated functions and reporting
- Select and contract with fund managers
- Select and procure asset servicer (Trading agent/depository/custodian/accounting)
- Establish and operate vehicles

Optional functions

- Manager searches/prepare shortlist
- Transition management
- Enhanced performance reporting
- Implementing individual fund rebalancing policy
- Executing funding level triggers
- Fiduciary policy (i.e. cross trading)

Key milestones/deliverables/decisions

	Month		Key deliverables	Resource	Timeframe
Phase 1	Sept	Governance	Amend current MOU	1 day	2 Sept 2016
			Draft and review ToR for JGC		Mid-Sept 2016
			Draft OWG remit	5 weeks	Mid-Sept 2016
			OWG agree OWG remit for presentation to Chairmen	1 day	End-Sept 2016
		Legal	OWG agree what advisors are needed and procurement approach	1 day	End-Sept 2016
			Lead authority to utilise national framework		End-Sept 2016
		PM	Agree project structure, stakeholders, workstreams, communications and reporting and responsible parties		Mid-Sept - End-Sept 2016
	Oct	Governance	Convert OWG remit to ToR	1 day	Mid-Oct 2016
			JGC agree OWg and JGC ToRs	1 day	Mid-Oct 2016
			Begin drafting JGC constitution	1 day	Mid-Oct 2016
			Shadow JGC established	8 wks	Mid-Oct 2016
		Legal	IAA legal advisor drawn down from national framework	4 wks	End-Oct 2016
			JGC agree mini-competition and JGC involvement for full legal procurement	1 day	Mid-Oct 2016
			Issue specification for full project legal advisors, start mini competition	4-6 wks	Mid-Oct 2016
		Op	PIN drafted	2 wks	Mid-Oct 2016
			Issue PIN	1 day	End-Oct 2016
		ID	Begin drafting operator requirements	4 wks	Start-Oct 2016
			Begin defining number and types of sub-funds	4 wks	Start-Oct 2016
		P	Discussions needed on procurement approach and number of managers etc		Mid-Oct 2016
	Nov	Gov.	Drafting of JGC constitution	6 wks	Mid-Nov 2016
			Begin drafting IAA	6 wks	Mid-Nov 2016
		Leg	Procure full project legal advisor via mini competition	4-6 wks	End-Nov 2016
			Appoint full project legal advisor	1 day	End-Nov 2016
		Op	PIN response period	35 days	End-Nov 2016
			Engagement days with PIN respondents	1 wk	End-Nov 2016
		P	Start drafting passive procurement manager specification	5 wks	Start-Nov 2016
			National framework set up	milestone	End-Nov 2016
		ID	Strawman Operator requirements & sub-fund definitions reviewed by OWG	1 day	Start-Nov 2016
			Updates to operator requirements	4 wks	November 2016
			Updates to sub-fund required	4 wks	November 2016
	Dec	Gov.	Drafting of JGC constitution	2 wks	December 2016
			Drafting of IAA	3 wks	December 2016
		ID	Strawman Operator requirements & sub-fund definitions for review by JGC	1 day	Mid-Dec 2016
			Further updates to draft operator requirements	3 wks	End-Dec 2016
			Further consideration of number and type of sub-funds required	3 wks	End-Dec 2016
		Op	Engagement days with PIN respondents	1 wk	Start-Dec 2016
			Draft RfP, design criteria and assess criteria weightings	2 wks	End-Dec 2016
		Pass.	Draft passive procurement manager specification	5 wks	Start-Dec 2016
			OWG agree procurement method & JGC involvement	1 day	Mid-Dec 2016
			Finalise passive procurement manager specification	2 wks	End-Dec 2016

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Rent v Build and Own an Operator?

2nd September 2016

Appendix 4

What we will cover

1)	Recap: Proposed Pool Structure
2)	The CIV Operator
3)	Rent v Build and Own
4)	Drivers for making a decision?
5)	Officer recommendation
6)	Implementation

Purpose of discussion today is to seek Chairmen agreement to officer recommendation

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Recap: Proposed Pool Structure

ACCESS will establish an Financial Conduct Authority (FCA) authorised Collective Investment Vehicle (CIV) consisting of:

- an FCA authorised pooled fund **Operator*** and
- a regulated investment vehicles to house assets

*aka Alternative Investment Fund Manager (AIFM)

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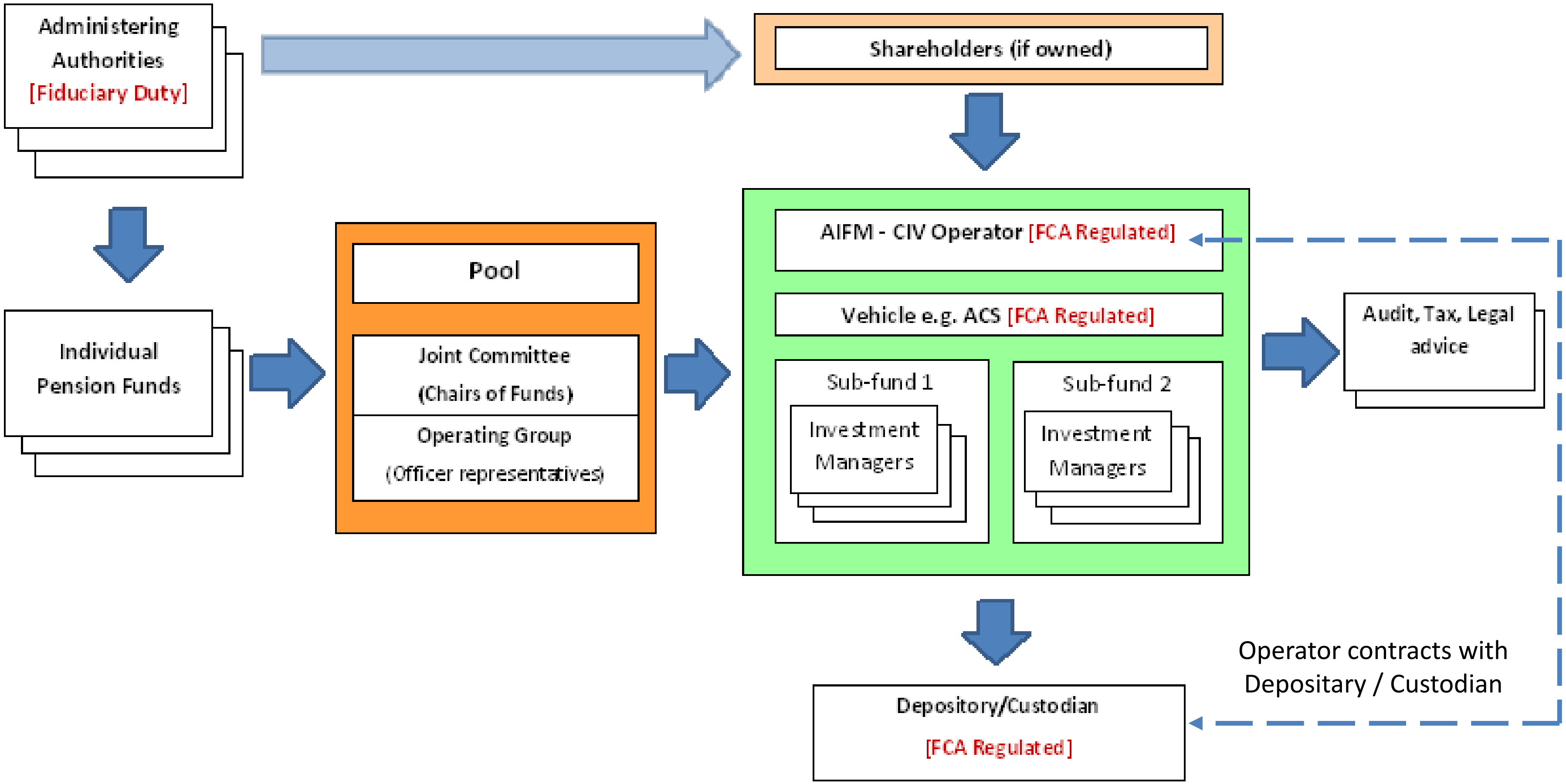
Collective Investment Vehicle (CIV)



Legal owner of assets: ACS / depositary
Beneficial owner: individual Funds

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The CIV operator - Functions

1) CIV operator is a single legal entity, either **owned** by the funds in the pool, or **rented** from a third party
2) The CIV Operator is regulated by the FCA
3) Its staff include FCA regulated roles e.g. Chief Investment Officer (CIO), Chief Risk Officer (CRO)
4) Investments are managed by authorised investment managers in FCA regulated investment vehicles such as an Authorised Contractual Scheme (ACS)
5) The CIV operator has regulatory responsibility for selecting and contracting with investment managers

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Operator sets up and runs pooling vehicles

Responsibilities include

- Investment management arrangements
- Dealing in underlying investments
- Valuations
- Determining unit prices of pooled investments
- Dealing in units in the pooled vehicle
- Portfolio accounting
- Client reporting
- Getting the investment vehicles authorised (e.g.. deed, prospectus, depositary agreement, registrar agreements, trading agreements, IMA's)
- Contract with depositary and custodian
- Back office (e.g. administration & processing)
- Middle office (e.g. risk management and IT)

Whether own or rent, individual funds and Joint Governance Committee will want influence in defining their needs (eg sub-funds, managers, reporting)

Policies

- Liquidity
- Unit Pricing
- Leverage
- Risk Management
- Adverse Markets
- Best Execution
- Terms of Reference for Audit, Remuneration and Nominations, Risk and Joint Committees

Regulated Roles

- Chief Investment Officer
- Chief Risk Officer
- Director
- Non-Executive Director
- Chief Executive
- Compliance Oversight
- Client Asset Oversight
- Money Laundering Reporting
- Customer Function

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The CIV Operator - Options

- ACCESS authorities have no current capacity or capability internally to fulfil the roles required by the Financial Conduct Authority (FCA)
- ACCESS funds must acquire these resources either:
  - renting an established Operator or
  - building and owning the Operator

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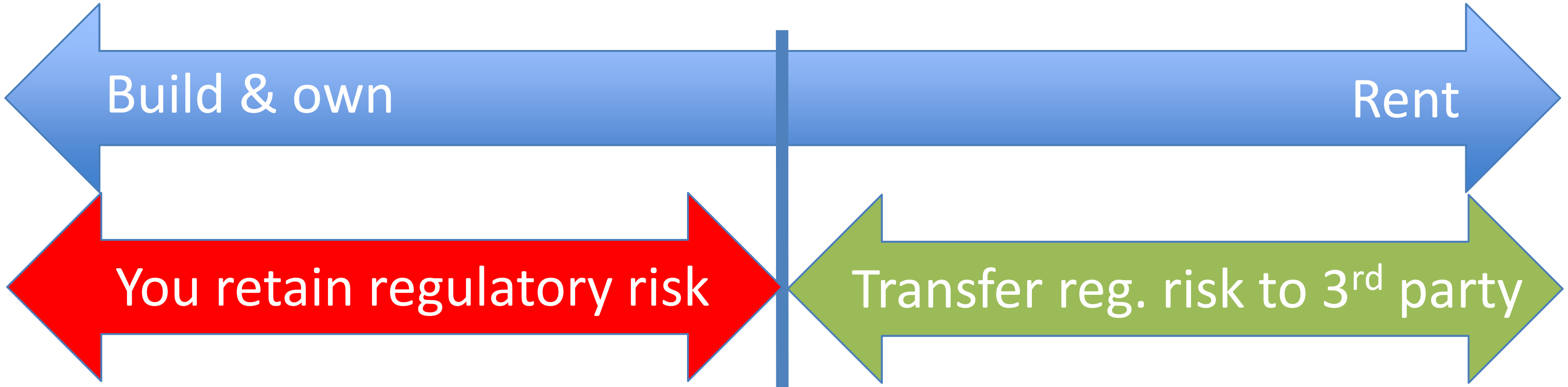
Rent v Build and Own – A Spectrum



Build max	Build "light"	Rent "light"	Rent max
No outsource apart from depositary/ custody. Manage some or all money with "in-house" team.	Minimum staff on payroll. Outsource as much as possible. Use external investment managers. eg London CIV	Operator consults on investment manager picks. Funds retain investment strategy decisions. eg Wales	Administering authorities have a hands off role. Manager choices & asset allocation fully delegated to Operator

Operator must retain either investment management function or risk function – cannot outsource both. ACCESS has no investment management capability so if build would have to retain risk management in-house.

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Drivers for making a decision

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Regulatory Risk

Risks include:

- Significant fines
- Prison (up to 7 years)
- Reputational damage (to local authorities)
- Additional costs to put things right

Regulator may pursue:

- Corporate entity and its shareholders and/or
- Individuals (directors and officers)

Note: Increasing tendency to pursue individuals

Under rent model, all regulatory & operational risk transfers to third party Operator

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Governance

	Build & own	Rent
1)	Operator appoints investment managers (after consulting JGC)	**Same**
2)	Change investment managers for poor performance (Operator *not* responsible)	**Same**
3)	Poor operational or administrative performance of Operator dealt with via Service Level Agreements. Ultimately Shareholders could sack and replace senior personnel.	Will have Service Level Agreements. Ultimate sanction is to **terminate contract** and replace with another 3rd party or owned Operator company.
4)	If costs exceed budgets, any additional costs come back to shareholders / LGPS funds	If in scope of specification of services & SLA, Operator pays. If not in scope, Operator charges additional costs to clients (funds)
6)	Control over changes to Specification of services and service levels exercised by shareholders	This would require re-negotiation with 3rd party Operator

Does build and own give greater control in areas that matter?

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Timetable

	Build and own	Rent
1)	Funds & advisers decide sub fund structure	**Same**
2)	Funds and advisers set up ACCESS shell co. (to become FCA authorised)	Funds and advisers **specify requirements** for third party Operator procurement
3)	Funds **hire** personnel for regulated roles	Funds **procure** a third party Operator who provides staff in regulated roles
4)	Apply for FCA authorisation for Operator	Operator already has FCA authorisation
5)	Legals between administering authorities & Operator co, Service Level Agreements	**Same** except no shareholder agreement
6)	Operator sets up ACS and sub-funds and applies for authorisation	Same or Operator uses its **existing** vehicles and FCA authorisations
7)	Operator procures and **contracts with** its suppliers eg depositary, custodian, etc	**Same** except Operator likely to have **existing** supplier relationships & contracts*
8)	Operator appoints investment managers (after consulting JGC)	**Same**
9)	Transition assets	**Same**

Consideration between build from scratch vs already built and tested Operator model and amount of resource req reliance on third party to implement

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Outline Timetable (Build and Own)

TASKS	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Plan, resource plan, budget Establish interim governance									
Appoint legal and tax advisors									
Search, select & hire senior staff									
Procurement of depositary, custodian, asset servicer									
Establish office, IT, processes									
Prepare & submit application for authorisation of Operator				Apply		Author -ised			
Preparation of application and authorisation of ACS*						Apply		Author -ised	
Select phase 1 investment mgrs									
Operator and ACS goes live									LIVE
Transition assets									

Best case is at least 2 years to build – starting & and no contingency

Denotes greater uncertainty due for example to dependencies on earlier steps

Outline Timetable (Rent)

TASKS	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Plan, resource plan, budget Establish interim governance									
Appoint legal and tax advisors									
Operator: specify requirements and carry out procurement*			Appoint						
Preparation of application and authorisation of ACS*			Apply		Author -ised				
Select phase 1 investment mgrs									
Operator and ACS goes live							LIVE		
Transition assets									

Under rent model, Operator already FCA authorised
Rent will take about six months less

*Under rent, operator would contract with a depositary and set up an ACS

Denotes greater uncertainty due for example to dependencies on earlier steps

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Drivers – Comparison # 1

Factor	Build & own	Rent	
Regulatory Risk	Severe penalties (including fines and imprisonment) and reputational risk.	Transfer regulatory risk to Operator	
Governance – accountability	Additional shareholder control	Able to change to another third party supplier or owned Operator.	
Governance – mgr selection	Operator legally responsible but consults clients	Same	
Future Proof/ Long Term	Shareholder control enables changes in functionality and services if required. “Sacking” Operator more difficult but able to sack and replace senior personnel. ‘Remedy’ of issues may be difficult. Retain operational risk.	Would need to re-negotiate specification if changes required. Could replace 3rd party with owned Operator in future.	
Timescales	Potentially 18-24 mths	Potentially 12-18 mths but possibly longer if Operator builds LGPS specific operator company and needs to set up ACS.	
Market	Staff recruitment and retention challenges. Key personnel risk. Significant salaries	May be limited providers - market needs tested. Currently aware of one major non-fiduciary (‘rent-light’) supplier but other large suppliers likely to ensure offering meets specification.	
Supplier Risk	Still likely to outsource some functions	Reliant on industry. Robust contract and Service Level Agreements required to ensure service standards.	
Commerciality	Limited opportunities, but comparable to other pools	No	

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Drivers – Comparison # 2

Factor	Build & own	Rent	
Cost to establish and run	• Regulatory capital - 10m euros (argue case for reduction) • Set up - est £3-5m • Ongoing - est £3-5m per annum	• Regulatory capital –third party Operator provides • Set up - procurement & legal costs only • Ongoing – similar in short term. Operator economies of scale but profit margin. • Ongoing – could be higher in long term if fees based on Assets Under Management and not capped.	
Officer resource to implement	• Significant amount of time & effort by administering authority officers to set up (even with support from external advisers). Strain on business as usual running of funds.	• Less officer resource needed to establish. Still need to specify requirements and run a procurement exercise.	

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Presentation by Capita

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Drivers – Which is right for ACCESS? # 1

Factor	Build & own	Rent	Comments
Regulatory Risk	Severe penalties (including fines and imprisonment) and reputational risk.	Transfer regulatory risk to Operator	Rent better
Governance – accountability	Additional shareholder control	Able to change to another third party supplier or owned Operator.	
Governance – mgr selection	Operator legally responsible but consults clients	Same	Similar
Future Proof/ Long Term	Shareholder control enables changes in functionality and services if required. "Sacking" Operator more difficult but able to sack and replace senior personnel. 'Remedy' of issues may be difficult. Retain operational risk.	Would need to re-negotiate specification if changes required. Could replace 3rd party with owned Operator in future.	Build and own could give greater long term flexibility
Timescales	Potentially 18-24 mths	Potentially 12-18 mths but possibly longer if Operator builds LGPS specific operator company and needs to set up ACS.	Lesser importance?
Market	Staff recruitment and retention challenges. Key personnel risk. Significant salaries	May be limited providers - market needs tested. Currently aware of one major non-fiduciary ('rent-light') supplier but other large suppliers likely to ensure offering meets specification.	
Supplier Risk	Still likely to outsource some functions	Reliant on industry. Robust contract and Service Level Agreements required to ensure service standards.	Exists with both
Commerciality	Limited opportunities, but comparable to other pools	No	Lesser importance

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Drivers – Which is right for ACCESS # 2

Factor	Build & own	Rent	Comments
Cost to establish and run	• Regulatory capital - 10m euros (argue case for reduction) • Set up - est £3-5m • Ongoing - est £3-5m per annum	• Regulatory capital –third party Operator provides • Set up - procurement & legal costs only • Ongoing – similar in short term. Operator economies of scale but profit margin. • Ongoing – could be higher in long term if fees based on Assets Under Management and not capped.	Rent better at set up but ongoing may be higher
Officer resource to implement	• Significant amount of time & effort by administering authority officers to set up (even with support from external advisers). Strain on business as usual running of funds.	• Less officer resource needed to establish. Still need to specify requirements and run a procurement exercise.	Rent better as puts less reliance on officer resource and reduces implementatio n risk

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Key findings

1) It would be possible to build an owned Operator, most likely along the lines of the "light" model adopted by London CIV which still has a heavy dependence on third party suppliers.
2) This might cost less in the longer term but is probably more difficult to implement in the short term (not least the necessary recruitment)
3) Build and own still retains some third party supplier risks
4) Build and own also brings all of the regulatory risk (potential penalties and reputational risk) on to the owning administering authorities and individuals as directors
5) We are not convinced that ownership gives any greater control than rental in areas most important to ACCESS such as involvement in decision making (eg manager selection).

Officer Recommendation

- The unanimous recommendation by officers is to **rent** initially.
- Under the rental option regulatory and operational risk transfers to the Operator.
- Renting initially leaves flexibility in future to continue to rent or change to an owned model. Factors that will affect views in future include:
  - experience of renting;
  - the future market for 3rd party suppliers;
  - running costs of rental; and
  - needs of Funds.

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Mitigations

1) Due to concerns about the current limited number of suppliers, there should be a well designed **"exit plan"**, making transfer to an alternative third party supplier or an owned entity as straightforward as possible. (See following slides for details.)
2) The **specification** of Operator requirements for procurement is a critical task.
   - Care is necessary to ensure the services specified are only those needed (no more, no less); that there are appropriate contractual protections for ACCESS; and that the ACCESS funds have the required involvement in decision making within the boundaries allowed under Regulation.
   - Careful consideration will be given to ensure an appropriate charging structure that delivers value for money.
3) External **legal advice** from a firm experienced in this field will be required to support the specification, procurement and implementation phases.
4) A strong client side **contract management** function will be necessary.

Mitigations – "exit plan"

The specification for the procurement of the Operator should include features along these lines:

1) Requirement for Operator to procure Depositary / Custodian
2) Fixed term of say 5-7 years + option to extend + triggers for change before end
3) Bids should break the quoted price into components including:
    a) operator service;
    b) depositary costs;
    c) custodian costs; and
    d) any other significant supplier costs
4) Where there is an existing relationship with its suppliers (e.g. depositary / custodian), bidders must describe the due diligence undertaken prior to appointment of those suppliers. If the Operator is appointing or changing one of its major suppliers it should consult ACCESS to explain short-list and criteria for selection.
5) On termination of Operator contract, ACCESS will have the option to novate / transfer the Operator's supplier agreements (eg depositary & custodian) to new Operator (eg an ACCESS owned entity).

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Implementation project wide & complex

- Legal & tax advice
- Operator specification & procurement
- Sub Funds
- Officer roles & responsibilities
- Costs / budget
- Set up Joint Governance Committee
- Client side contract management function
- Managers and plan transition

Significant support needed from officers over and above their day job

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Immediate next steps under build or rent
1) Government feedback on submission
2) Detailed project plan, resource plan and budget.
3) Start project implementation
4) Define roles and responsibilities of JGC in a TOR*
5) Define roles and responsibilities of officers supporting JGC and managing Operator arrangements*
6) Update MoU as necessary for implementation phase*
7) Joint Governance Committee established in "shadow" form.
8) Specify Operator requirements* (including functions required, sub-funds needed, exit terms, etc)
9) Start build or procurement of Operator

Go Live in 2018

*Important that MoU, ToR and Operator spec dovetail

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Any Questions?

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Principles

The participating authorities reflect a strong commitment to the project and share an approach to achieve common objectives based on a clear set of guiding principles.

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

Democratic accountability and fiduciary responsibility are vital

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Estimated establishment and running costs

PROVISIONAL ESTIMATES OF ADDITIONAL COSTS		
Regulatory Capital	10m euros	Our current advice is that this cannot come from pension fund assets and administering authorities must write a cheque deflecting tax-payer money away from services. If rent, supplier provides capital but charges the cost of capital to clients via fees.
Establish CIV	Build c£3-5m Rent c£1m+	Provisional estimates. Includes project management, legal, tax and other advisory costs and internal costs associated with establishing or procuring CIV operator and pooling vehicles.
Running CIV	c£3-5m pa	Assume similar between build and rent in short term. Build and own less costly in the long term. Sources: Initial price indications from supplier 1-2bps per annum and comparison with London CIV (building to 12 professional staff and paying 3rd parties for services eg investment fund administration)
Additional officer resource	£0.5m per annum	Client liaison function managing operator contract (SLAs), monitoring operator performance (KPIs), reporting, support and advice to pool's Joint Governance Committee.
Reduction in existing costs?	Low	Some costs including selecting and contracting managers and custody **transfer** from individual funds to the Operator. In theory, savings from procurement of managers since done once on behalf of all participating funds (although LGPS collaboration has already moved suppliers e.g. passive procurement examples).

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HYMANS ROBERTSON

Sixty second summary

Investment Pooling Governance Principles for LGPS Administering Authorities

Ian Colvin
Head of Benefits Consulting

William Marshall
Head of Investment Clients

How can you secure your Fund's objectives in a post pooling world?

This month sees the launch of CIPFA's guidance on Investment Pooling Governance Principles for LGPS Administering Authorities. The guidance is designed to assist administering authorities in applying good governance principles as they move towards, and participate in, the new era of pooled assets. It focuses mainly on governance from the perspective of the individual authorities participating in a pool, rather than the pool's own governance arrangements.

This guidance follows closely on the heels of the Investment Regulations and DCLG guidance on producing the new Investment Strategy Statement. Although not directly focussing on investment issues, this guidance is a useful reminder that the ability to successfully deliver an investment strategy cannot be divorced from the governance that underpins it.

Administering Authority Focus

Quite naturally, a lot of elected member and officer time has lately been focussed on understanding the requirements of asset pools and developing knowledge of new elements such as fund operators, Authorised Contractual Schemes and FCA regulation. In working with a number of pools, however, we have been keen to stress that the journey involves several stakeholders and the overall governance of pools needs to acknowledge this. Only by giving proper weight to all of the elements can the likes of legal and contractual matters, financial regulation and locally accountable democracy dovetail properly.

We welcome the fact that this guidance gives some pointers to administering authorities in terms of reviewing their internal governance arrangements. For example, administering authorities should be considering what changes may be needed to its scheme of delegation and to the terms of reference of its pension committee in order to deliver its objectives in a post pooling world.

The fundamentals don't change

There is no doubt that asset pooling represents a big change to the way the LGPS works and no one underestimates the work required to deliver it. However, in many ways the fundamentals don't change. Administering authorities will retain their responsibility for the management of all aspects of the fund as well as their fiduciary duties to scheme employers and scheme members.

Although manager appointments will in future be made by the pool rather than by individual funds, it will remain the responsibility of individual pension committees to set their own investment strategy and decide asset allocation. The pool needs to be set up to enable individual funds to implement their locally decided strategy.

Each administering authority will still need to develop its own policies on matters such as ESG and voting rights and work with the other participating authorities in the pool to ensure that these policies can be delivered.

We believe that the core attributes of a good fund remain the same. Good funds will continue to have clear objectives, well defined investment beliefs and the appropriate strategies and structures in place to deliver them. It's also important to understand the risks that might prevent funds from achieving their objectives, and committees and officers should already be thinking about whether their risk registers need updating in order to reflect the move to collective assets.

Knowledge and Skills

The guidance also updates the Knowledge and Skills framework for pension committee members and officers to reflect the additional competencies required by pooling. Most committees will currently have pooling as an agenda item at every meeting. It is important though that training plans are flexible enough to adapt to the changing landscape, that members receive training that fits in with the overall training strategy and that learning outcomes are measured and recorded.

Conclusion

Although asset pooling represents a significant change to the way the LGPS does business, the underlying principles of sound governance remain the same. Funds should ensure their own internal processes, structures and policies reflect the changing environment. There needs to be clarity about objectives and robust internal controls in order to achieve those objectives. At the same time, funds need to ensure that their members and officers can demonstrate the appropriate capability, leadership and knowledge to deliver the move to pooled assets successfully.

As an immediate list of action points, we suggest administering authorities should be considering;

- delegated responsibilities;
- the terms of reference for the committee;
- committee training;
- updating the business plan;
- building in an automatic review of administering authority governance in 12 to 18 months to ensure that that objectives are being delivered.

If you wish to discuss any of these issues further please contact;

Ian Colvin on 0141 566 7788 (ian.colvin@hymans.co.uk)

William Marshall on 0131 656 5116 (william.marshall@hymans.co.uk)

Report to: **Pension Board**

Date of meeting: **3 November 2016**

By: **Interim Chief Finance Officer**

Title: **LGPS Management & Investment of Funds Regulations 2016 and Investment Strategy Statement (ISS) Guidance**

Purpose: **This report provides Members with the LGPS Regulations 2016 and Department for Communities and Local Government (DCLG) guidance on preparing and maintaining an Investment Strategy Statement.**

RECOMMENDATION

The Board is recommended to note the LGPS Regulations 2016 and DCLG guidance on maintaining an Investment Strategy Statement.

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1. Background

1.1 The LGPS - Management & Investment of Funds Regulations were laid before parliament on 23 September and come into force from 1 November 2016. These regulations (Appendix 1) remove many of the investment restrictions imposed on LGPS funds, introduce a prudential framework for investment decision making, introduce a Power of Direction for the Secretary of State to intervene in the investment function of an Administering Authority if deemed necessary, and require all funds to publish a new Investment Strategy Statement (ISS) by 1 April 2017.

1.2 The Department for Communities and Local Government (DCLG) has also outlined new guidance on preparing and maintaining an Investment Strategy Statement (Appendix 2). This statement will replace the Statement of Investment Principles (SIP).

1.3 In order to comply with the guidance, administering authorities must take proper advice. They should also explain the extent to which the views of their Pension Board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors and must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments.

2. The Investment Strategy Statement

2.1 Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. The ISS must include:

a. A requirement to invest money in a wide variety of investments;
b. The authority's assessment of the suitability of particular investments and types of investments;
c. The authority's approach to risk, including the ways in which risks are to be measured and managed;
d. The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
e. The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
f. The authority's policy on the exercise of rights (including voting rights) attaching to investments.

2.2 The new regulations contain provision for the Secretary of State to issue a direction, where he or she deems an administering authority not to have followed the new guidance. The power of direction can be used -

- to require an administering authority to make changes to its investment strategy in a given timescale;
- to require an administering authority to invest assets as specified in the direction;
- to transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State; and
- to require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred.

3. Implementation Timeframe

3.1 Under Regulation 7(6) and (7), the statements must be published by 1 April 2017 and then kept under review and revised from time to time and at least every three years. Under transitional arrangements, key elements of the 2009 Regulations relating to investment policies will continue in force until such time that the Investment Strategy Statement under Regulation 7 is published.

Description	**2016**	**Post 2016**
Statement of Investment Principles ("SIP")	Yes	No
Investment Strategy Statement ("ISS")	No	Yes

4. Conclusion and reasons for recommendations

4.1 The Management & Investment of Funds Regulations will come into force from 1 November 2016, and the DCLG guidance has been prepared to assist administering authorities with the formulation, publication and maintenance of their Investment Strategy Statement.

PHIL HALL
Interim Chief Finance Officer

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

Background Documents
None

STATUTORY INSTRUMENTS

2016 No. 946

PUBLIC SERVICE PENSIONS, ENGLAND AND WALES

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

Made - - - -	*21st September 2016*
Laid before Parliament	*23rd September 2016*
Coming into force - -	*1st November 2016*

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 1(1) and 3(1) to (4) of, and Schedule 3 to, the Public Service Pensions Act 2013(**a**).

In accordance with section 21(1) of that Act, the Secretary of State has consulted such persons and the representatives of such persons as appeared to the Secretary of State to be likely to be affected by these Regulations.

In accordance with section 3(5) of that Act, these Regulations are made with the consent of the Treasury.

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

(2) These Regulations come into force on 1st November 2016.

(3) These Regulations extend to England and Wales.

Interpretation

2.—(1) In these Regulations—

"the 2000 Act" means the Financial Services and Markets Act 2000(**b**);

"the 2013 Regulations" means the Local Government Pension Scheme Regulations 2013(**c**);

"the Transitional Regulations" means the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014(**d**);

"authority" means an administering authority listed in Part 1 of Schedule 3 to the 2013 Regulations;

"fund money" means money that is or should be in a pension fund maintained by an authority;

(**a**) 2013 c. 25; see section 2 of and Schedule 2 to that Act as to how the power is exercisable by the Secretary of State.
(**b**) 2000 c. 8.
(**c**) S.I. 2013/2356.
(**d**) S.I. 2014/525.

"proper advice" means the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters;

"the Scheme" means the scheme established by the 2013 Regulations.

(2) Any restrictions imposed by these Regulations apply to authorities which have the power within section 1 of the Localism Act 2011(**a**) (local authority's general power of competence) or section 5A(1) of the Fire and Rescue Services Act 2004(**b**) in the exercise of those powers.

(3) Any authority which does not have the powers mentioned in paragraph (2) has, by virtue of these Regulations the power to do anything authorised or required by these Regulations.

Investment

3.—(1) In these Regulations "investment" includes—

(a) a contract entered into in the course of dealing in financial futures, traded options or derivatives;

(b) a contribution to a limited partnership in an unquoted securities investment;

(c) a contract of insurance if it is a contract of a relevant class, and is entered into with a person within paragraph (2) for whom entering into the contract constitutes the carrying on of a regulated activity within the meaning of section 22 of the 2000 Act(**c**).

(2) The persons within this paragraph are—

(a) a person who has permission under Part 4A of the 2000 Act (permission to carry on regulated activities)(**d**) to effect or carry out contracts of insurance of a relevant class;

(b) an EEA firm of the kind mentioned in paragraph 5(d) of Schedule 3 to the 2000 Act (EEA passport rights), which has permission under paragraph 15 of that Schedule(**e**) to effect or carry out contracts of insurance of a relevant class; and

(c) a person who does not fall within sub-paragraph (a) or (b) whose head office is in an EEA state other than the United Kingdom, and who is permitted by the law of that state to effect or carry out contracts of insurance of a relevant class.

(3) A contract of insurance is of a relevant class for the purposes of paragraphs (1)(c) and (2) if it is—

(a) a contract of insurance on human life or a contract to pay an annuity on human life where the benefits are wholly or partly to be determined by reference to the value of, or income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or an index of, the value of property of any description (whether or not so specified); or

(b) a contract to manage the investments of pension funds, whether or not combined with a contract of insurance covering either conservation of capital or payment of minimum interest.

(4) For the purposes of this regulation—

"limited partnership" has the meaning given in the Limited Partnerships Act 1907(**f**);

"recognised stock exchange" has the same meaning as in section 1005 of the Income Tax Act 2007(**g**);

"traded option" means an option quoted on a recognised stock exchange; and

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(**a**) 2011 c. 20.
(**b**) 2004 c. 21; section 5A was inserted by section 9(1) of the Localism Act 2011.
(**c**) Section 22 was amended by section 7(1) of the Financial Services Act 2012 (c. 21).
(**d**) Part 4A of the 2000 Act was inserted by section 11(2) of the Financial Services Act 2012.
(**e**) Paragraph 15 was amended by S.I. 2003/2066, 2007/3253, 2012/1906,2013/1881 and 2015/575.
(**f**) 1907 c. 24.
(**g**) 2007 c. 3; section 1005 was substituted by the Finance Act 2007 (c. 11) and amended by the Taxation (International and Other Provisions) Act 2010 (c. 8).

"unquoted securities investment partnership" means a partnership for investing in securities which are not quoted on a recognised stock exchange when the partnership buys them.

Management of a pension fund

4.—(1) An authority must credit to its pension fund(**a**), in addition to any sum otherwise required to be credited by virtue of the 2013 Regulations or the Transitional Regulations—

(a) the amounts payable by it or payable to it under regulations 15(3)(b), 67 and 68 of the 2013 Regulations (employer's contributions and further payments);

(b) all amounts received under regulation 69(1)(a) of the 2013 Regulations (member contributions);

(c) all income arising from investment of the fund; and

(d) all capital money deriving from such investment.

(2) In the case of an authority which maintains more than one pension fund, as respects sums which relate to specific members, the references in this regulation to the authority's pension fund is to the fund which is the appropriate fund(**b**) for the member in question in accordance with the 2013 Regulations.

(3) Interest under regulation 71 of the 2013 Regulations (interest on late payments by Scheme employers) must be credited to the pension fund to which the overdue payment is due.

(4) An authority must pay any benefits to which any person is entitled by virtue of the 2013 Regulations or the Transitional Regulations from its pension fund.

(5) Any costs, charges and expenses incurred administering a pension fund may be paid from it except for charges prescribed by regulations made under sections 23, 24 or 41 of the Welfare Reform and Pensions Act 1999(**c**) (charges in relation to pension sharing costs).

Restriction on power to borrow

5.—(1) Except as provided in this regulation, an authority must not borrow money where the borrowing is liable to be repaid out of its pension fund.

(2) Subject to paragraph (3), an authority may borrow by way of temporary loan or overdraft which is liable to be repaid out of its pension fund, any sums which it may require for the purpose of—

(a) paying benefits due under the Scheme; or

(b) to meet investment commitments arising from the implementation of a decision by it to change the balance between different types of investment.

(3) An authority may only borrow money under paragraph (2) if, at the time of the borrowing, the authority reasonably believes that the sum borrowed and interest charged in respect of that sum can be repaid out of its pension fund within 90 days of the borrowing.

Separate bank account

6.—(1) An authority must hold in a separate account kept by it with a deposit-taker all fund money.

(2) "Deposit-taker" for the purposes of paragraph (1) means—

(a) a person who has permission under Part 4A of the 2000 Act (permission to carry on regulated activities) to carry on the activities specified by article 5 of the Financial

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(**a**) An administering authority is required to maintain a pension fund by regulation 53(1) of, and paragraph 1 of Schedule 3 to the 2013 Regulations.

(**b**) See regulation 53(2) of and Part 2 of Schedule 3 to the 2013 Regulations for provisions relating to an administering authority becoming the "appropriate administering authority" in relation to a person.

(**c**) 1999 c. 30; see S.I. 2000/1047 and S.I. 2000/1049.

Services and Markets Act 2000 (Regulated Activities) Order 2001 (accepting deposits)(**a**);

(b) an EEA firm of the kind mentioned in paragraph 5(b)(**b**) of Schedule 3 to the 2000 Act (EEA passport rights) which has permission under paragraph 15 of that Schedule(**c**) to accept deposits;

(c) the Bank of England or the central bank of an EEA state other than the United Kingdom; or

(d) the National Savings Bank.

(3) An authority must secure that the deposit-taker may not exercise a right of set-off in relation to the account referred to in paragraph (1) in respect of any other account held by the authority or any party connected to the authority.

Investment strategy statement

7.—(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.

(2) The authority's investment strategy must include—

(a) a requirement to invest fund money in a wide variety of investments;

(b) the authority's assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

(3) The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

(4) The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(**d**).

(5) The authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

(6) The authority must publish a statement of its investment strategy formulated under paragraph (1) and the first such statement must be published no later than 1st April 2017.

(7) The authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

(8) The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

(**a**) S.I. 2001/544; article 5 was amended by S.I. 2002/682.
(**b**) Sub-paragraph (b) of paragraph (5) was substituted by S.I. 2006/3211 and then further substituted by S.I. 2013/3115.
(**c**) Paragraph 15 has been amended by S.I. 2003/2066, S.I. 2007/3253, 2012/1906, 2013/1881 and 2015/575.
(**d**) 2007 c. 28; section 212 was amended by the Police Reform and Social Responsibility Act 2011 (c. 13) and there are prospective amendments made by the Local Audit and Accountability Act 2014 (c. 2).

Directions by the Secretary of State

8.—(1) This regulation applies in relation to an authority's investment functions under these Regulations and the 2013 Regulations if the Secretary of State is satisfied that the authority is failing to act in accordance with guidance issued under regulation 7(1).

(2) Where this regulation applies in relation to an authority the Secretary of State may make a direction requiring all or any of the following—

(a) that the authority make such changes to its investment strategy under regulation 7 as the Secretary of State considers appropriate, within such period of time as is specified in the direction;

(b) that the authority invest such assets or descriptions of assets as are specified in the direction in such manner as is specified in the direction;

(c) that the investment functions of the authority under these Regulations and under the 2013 Regulations be exercised by the Secretary of State or a person nominated by the Secretary of State for a period specified in the direction or for so long as the Secretary of State considers appropriate;

(d) that the authority comply with any instructions of the Secretary of State or the Secretary of State's nominee in relation to the exercise of its investment functions under these Regulations and the 2013 Regulations and provide such assistance as the Secretary of State or the Secretary of State's nominee may require for the purpose of exercising those functions.

(3) Before making a decision whether to issue a direction under this regulation, and as to the contents of any direction, the Secretary of State must consult the authority concerned.

(4) In reaching a decision whether to issue a direction under this regulation, and as to the contents of any direction, the Secretary of State must have regard to such evidence of the manner in which the authority is discharging or proposes to discharge its investment functions as is reasonably available including—

(a) any report from an actuary appointed under section 13(4) of the Public Service Pensions Act 2013 (employer contributions in funded schemes) or by the authority under regulation 62 of the 2013 Regulations (actuarial valuations of pension funds);

(b) any report from the local pension board appointed by the authority or from the Local Government Pension Scheme Advisory Board(**a**);

(c) any representations made by the authority in response to the consultation under paragraph (3);

(d) any other evidence that the Secretary of State regards as relevant to whether the authority has been complying with these Regulations or acting in accordance with guidance issued under regulation 7(1).

(5) If the Secretary of State is of the opinion that additional information is required to enable a decision to be taken whether to issue a direction under this regulation, or as to what any direction should contain, the Secretary of State may carry out such inquiries as the Secretary of State considers appropriate to obtain that information.

(6) An authority must comply with any request from the Secretary of State intended to facilitate the obtaining of information under paragraph (5).

Investment managers

9.—(1) Instead of managing and investing fund money itself, an authority may appoint one or more investment managers to manage and invest fund money, or any part of such money, on its behalf.

(**a**) The Local Government Pension Scheme Advisory Board is established by regulation 110 of the 2013 Regulations (which was inserted by S.I. 2015/57).

(2) But the authority may only appoint an investment manager if the authority complies with paragraphs (3) and (4).

(3) The authority must reasonably believe that the investment manager's ability in and practical experience of financial matters make that investment manager suitably qualified to make investment decisions for it.

(4) The authority must take proper advice in relation to the appointment and the terms on which the appointment is made.

Investments under section 11(1) of the Trustee Investments Act 1961

10. An authority to which section 11 of the Trustee Investments Act 1961(**a**) applies may invest, without any restriction as to quantity, in any investment made in accordance with a scheme under section 11(1) of that Act (which enables the Treasury to approve schemes for local authorities to invest in collectively).

Consequential amendments

11.—(1) The 2013 Regulations are amended as follows.

(2) For regulation 57(1)(i) (pension fund annual report) substitute—

"(i) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;".

(3) For regulation 58(4)(b) (funding strategy statement) substitute—

"(b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.".

(4) For regulation 69(2)(b) (payment by Scheme employers to administering authorities) substitute—

"(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) (management of a pension fund) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.".

Revocations and transitional provision

12.—(1) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009(**b**) and the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2013(**c**) are revoked.

(2) Regulations 11 (investment policy and investment of pension fund money), 12 (statement of investment principles), 14 (restrictions on investments), 15 (requirements for increased limits) of and Schedule 1 (table of limits on investments) to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 continue to have effect in relation to an authority until the date when that authority first publishes its investment strategy statement under regulation 7.

(3) For the period starting on 1st November 2016 and ending on whichever is the earlier of the date the authority publishes its investment strategy statement under regulation 7, or 31st March 2017, regulation 7 applies to an authority only to the extent necessary to enable that authority to formulate and publish its investment strategy statement.

(**a**) 1961 c. 62; section 11(1) was amended by the London Government Act 1963 (c. 4) and the Local Government Act 1985 (c. 51).
(**b**) S.I. 2009/3093.
(**c**) S.I. 2013/410.

We consent to the making of these Regulations

David Evennett
Guto Bebb
Two of the Lords Commissioners of Her Majesty's Treasury

Signed by authority of the Secretary of State for Communities and Local Government

Marcus Jones
Parliamentary Under Secretary of State
21st September 2016 Department for Communities and Local Government

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision in relation to the management and investment of pension funds held by administering authorities required to maintain such funds by the Local Government Pension Scheme Regulations 2013.

Regulations 2 and 3 respectively contain definitions and make provision that the restrictions imposed by the regulations bind authorities which have the "power of general competence" in the exercise of that power.

Regulations 4, 5 and 6 respectively set out which payments must be made into and out of the pension fund, restrict powers of borrowing and require fund money to be in a separate account.

Regulations 7 and 8 respectively require authorities to publish an investment strategy in accordance with guidance issued by the Secretary of State and enable the Secretary of State to issue a direction to any authority which fails to comply with its statutory obligations as regards its pension fund or which fails to act in accordance with the guidance.

Regulations 9 and 10 respectively allow for the appointment of investment managers and investment in Treasury approved schemes.

Regulations 11 and 12 respectively make consequential amendments relating to the investment strategy published under regulation 7 and transitional provisions.

No impact assessment has been produced because it has no impact on business, charities or voluntary bodies and minimal impact on the public sector.

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Department for Communities and Local Government

Local Government Pension Scheme

Guidance on Preparing and Maintaining an Investment Strategy Statement

September 2016
Department for Communities and Local Government

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

Department for Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

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Foreword

This guidance has been prepared to assist administering authorities in the local government pension scheme in England and Wales with the formulation, publication and maintenance of their Investment Strategy Statement.

New investment regulationsto be introduced later this year will include a requirement for administering authorities to publish new Investment Strategy Statements by 1st April 2017 in accordance with the guidance set out below.

Administering authorities will be required to act in accordance with the provisions in this guidance when Regulation 7 of the Local Govenrment Pension Scheme (Management and Investment of Funds) Regulations 2016 comes into force.

Part 1

Introduction and background

This guidance has been prepared to assist administering authorities in the formulation, publication and maintenance of their Investment Strategy Statement required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Unless otherwise stated, references to regulations are to the 2016 Regulations.

An administering authority's duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") is unaffected.

Statutory background

Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

The Investment Strategy Statement required by Regulation 7 must include:-

a) A requirement to invest money in a wide variety of investments;
b) The authority's assessment of the suitability of particular investments and types of investments;
c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This, in effect, replaces Schedule 1 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the 2009 Regulations").

Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years. Under transitional arrangements, key elements of the 2009 Regulations relating to investment policies will continue in force until such time that the Investment Strategy Statement under Regulation 7 is published.

Directions by the Secretary of State

Regulation 8 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with this guidance.

One of the main aims of the new investment regulations is to transfer investment decisions and their consideration more fully to administering authorities within a new prudential framework. Administering authorities will therefore be responsible for setting their policy on asset allocation, risk and diversity, amongst other things. In relaxing the regulatory framework for scheme investments, administering authorities will be expected to make their investment decisions within a prudential framework with less central prescription. It is important therefore that the regulations include a safeguard to ensure that this less prescriptive approach is used appropriately and in the best long term interests of scheme beneficiaries and taxpayers.

Where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to consider intervention, but only where this is justified and where the relevant parties have been consulted. Regulation 8 includes a number of safeguards, including full consultation with the relevant authority, to ensure that the proposed power is used appropriately, proportionately and only where justified by the evidence.

The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

The power of Direction can be used in all or any of the following ways:-

a) To require an administering authority to make changes to its investment strategy in a given timescale;
b) To require an administering authority to invest assets as specified in the Direction;
c) To transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State; and

d) To require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred.

Before issuing any Direction, the Secretary of State must consult the administering authority concerned and before reaching a decision, must have regard to all relevant evidence including reports under section 13(4) of the Public Service Pensions Act 2013; reports from the scheme advisory board or from the relevant local pension board and any representations made in response to the consultation with the relevant administering authority. The Secretary of State also has the power to commission any other evidence or additional information that is considered necessary.

General

Part 2 below sets out the guidance for authorities under each of the component parts of Regulation 7. The specific requirements under each heading are shown at the end of each sub section in a text box and in bold type. It is important to note, however, that these lists are not exclusive and that administering authorities are also required to comply with general public law principles and act within a prudential framework.

Part 2

Regulation 7(2) (a) - Investment of money in a wide variety of investments

A properly diversified portfolio of assets should include a range of asset classes to help reduce overall portfolio risk. If a single investment class is not performing well, performance should be balanced by other investments which are doing better at that time. A diversified portfolio also helps to reduce volatility.

For example, the range of asset classes could include UK and overseas equities of different sectors; bonds with varying maturity; alternative investment assets such as private equity, infrastructure and cash instruments.

However, this guidance does not purport to prescribe the specific asset classes over which fund monies must be diversified. This remains a decision for individual administering authorities to make. Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries.

An administering authority must also be able to demonstrate that they review their diversification policy from time to time to ensure that their overall target return is not put at risk.

Summary of requirements

In formulating and maintaining their policy on diversification, administering authorities:-

- **Must take proper advice**

- **Must set out clearly the balance between different types of investments**
- **Must identify the risks associated with their overall investment strategy**
- **Must periodically review their policy to mitigate against any such risks**

Regulation 7(2)(b) - The suitability of particular investments and types of investments

The concept of suitability is a critical test for whether or not a particular investment should be made. Although individual investment classes will have varying degrees of suitability in the context of an authority's funding and investment strategies, the overall aim of the fund must be to consider suitability against the need to meet pension obligations as they fall due.

Assessing the suitability of different investment classes involves a number of factors including, for example, performance benchmarks, appetite for risk, policy on non-financial factors and perhaps most importantly, funding strategy.

What constitutes suitability is clearly a matter for individual administering authorities to consider and decide in the light of their own funding and investment strategies, but there is a clear expectation that the assessment should be broadly consistent across all administering authorities. Administering authorities must therefore take and act on proper advice in assessing the suitability of their investment portfolio and give full details of that assessment in their Investment Strategy Statement.

Summary of requirements

In formulating their policy on the suitability of particular investments and types of investments, administering authorities:-

- **Must take proper advice**
- **Should ensure that their policy on asset allocation is compatible with achieving their locally determined solvency target**
- **Must periodically review the suitability of their investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with their overall investment strategy**

Regulation 7(2)(c) - The approach to risk, including the ways in which risks are to be measured and managed

The appetite of individual administering authorities for taking risk when making investment decisions can only be a matter for local consideration and determination, subject to the aim and purpose of a pension fund to maximise the returns from investment returns within reasonable risk parameters.

Some of the key risks that an administering authority needs to be aware include financial, demographic or regulatory risks. A detailed summary of the identification of all risks and counter-measures to mitigate against them is beyond the scope of this guidance, but administering authorities will continue to have regard to the requirement under Regulation

58 of the 2013 Regulations to have regard to the “Guidance on Preparing and Maintaining a Funding Strategy Statement” published by CIPFA, which includes a section on risk and the ways in which it can be measured and managed.

Summary of requirements

In formulating their policy on their approach to risk, administering authorities:-

- **Must take proper advice**
- **Should clearly state their appetite for risk**
- **Should be aware of the risks that may impact on their overall funding and investment strategies**
- **Should take measures to counter those risks**
- **Should periodically review the assumptions on which their investment strategy is based**
- **Should formulate contingency plans to limit the impact of risks that might materialise**

Regulation 7(2)(d) - The approach to pooling investments, including the use of collective investment vehicles and shared services

All authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform and criteria published in November 2015, or to the extent that it does not, that Government is content for it to continue.

Any change which results in failure to meet the criteria must be reported by the administering authority, and/or pool, to the Secretary of State and the Scheme Advisory Board.

Administering authorities should set out their approach to pooling and the proportion of assets that will be invested through the pool. This must include the structure and governance arrangements and the mechanisms by which the authority can hold the pool to account.

Where services are shared or jointly procured, the administering authority must set out the rationale underpinning this and the cost benefit of this, as opposed to pooling.

Administering authorities must provide a summary of assets to be held outside of the pool, and how this demonstrates value for money. The progress of asset transfers to the pool must be reported annually against implementation plans and submitted to the Scheme Advisory Board. Where it is possible that an asset could be pooled in the future, authorities must set a date for review and criteria that need to be met before the asset will be pooled.

Summary of requirements

In formulating and maintaining their approach to pooling investment, including the use of collective investment vehicles and shared services, an administering authority must:-

- **Confirm the pooling arrangements meet the criteria set out in the November 2015 investment reform and criteria guidance at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf, or have been otherwise agreed by the Government**
- **Notify the Scheme Advisory Board and the Secretary of State of any changes which result in failure to meet the criteria**
- **Set out the proportion of assets that will be invested through pooling**
- **Set out the structure and governance arrangements of the pool and the mechanisms by which the authority can hold the pool to account**
- **Set out the services that will be shared or jointly procured**
- **Provide a summary of assets that the authority has determined are not suitable for investing through the pool along with its rationale for doing so, and how this demonstrates value for money;**
- **Regularly review any assets, and no less than every 3 years, that the authority has previously determined should be held outside of the pool, ensuring this continues to demonstrate value for money**
- **Submit an annual report on the progress of asset transfers to the Scheme Advisory Board**

Regulation 7(2)(e) - How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

When making investment decisions, administering authorities must take proper advice and act prudently. In the context of the local government pension scheme, a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.

Although administering authorities are not subject to trust law, those responsible for making investment decisions must comply with general legal principles governing the administration of scheme investments. They must also act in accordance with ordinary public law principles, in particular, the ordinary public law of reasonableness. They risk challenge if a decision they make is so unreasonable that no person acting reasonably could have made it.
The law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and

corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

However, the Government has made clear that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

Investments that deliver social impact as well as a financial return are often described as "social investments". In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact. These investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Summary of requirements

In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:-

- **Must take proper advice**
- **Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors**
- **Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments**
- **Should not pursue policies that are contrary to UK foreign policy or UK defence policy**
- **Should explain their approach to social investments**

Regulation 7(2)(f) - The exercise of rights (including voting rights) attaching to investments

The long-term investment interests of administering authorities are enhanced by the highest standards of corporate governance and corporate responsibility amongst the companies in which they invest. Poor governance can negatively impact shareholder value.

Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration. Engagement by administering authorities is purposeful and can identify problems through continuing dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings.

Engagement enables administering authorities as long term shareholders to exert a positive influence on companies to promote strong governance, manage risk, increase accountability and drive improvements in the management of environmental, social and corporate governance issues.

Administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code. Administering authorities should become Signatories to the Code and state how they implement the seven principles and guidance of the Code, which apply on a "comply or explain" basis.

Concern has been expressed in the past about the scope of Regulation 12(2)(g) of the 2009 Regulations which, in effect, allowed each administering authority to decide whether or not to adopt a policy on the exercise of the rights attaching to investments, including voting rights. To increase awareness and promote engagement, Regulation 7(2)(f) now requires every administering authority to formulate a policy that reflects their stewardship responsibilities.

Summary of requirements

In formulating their policy on the exercise of rights, administering authorities:-

- **Must give reasons in their Investment Strategy Statement for not adopting a policy of exercising rights, including voting rights, attaching to investments**
- **Should, where appropriate, explain their policy on stewardship with reference to the Stewardship Code**
- **Should strongly encourage their fund managers, if any, to vote their company shares in line with their policy under Regulation 7(2)(f)**
- **May wish to appoint an independent proxy voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority**
- **Should publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations**

Report to: **Pension Board**

Date of meeting: **3 November 2016**

By: **Interim Chief Finance Officer**

Title: **Pension Fund Risk Register**

Purpose: **To consider the Pension Fund Risk Register**

RECOMMENDATION

The Board is recommended to consider and comment on the Pension Fund Risk Register

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1. Background

1.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the Pension Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

1.2 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources, including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

2. Risk Register.

2.1 The objectives of the Risk Register are to:

- identify key risks to the achievement of the Fund's objectives;
- consider the risks identified and assess their significance in terms of likelihood of the risk materialising and the severity of the impact/consequences if it does occur;
- assess the risk mitigation controls/procedures currently in place in terms of their effectiveness and consider whether further measures are required.

2..2 The Risk Register (Appendix 1) highlights the updated key risks in relation to the East Sussex Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. This incorporates the risk register of both the Investments Team and Pension Governance and Strategy.

3. Assessment of Risk

3.1 Risks are assessed in terms of the potential impact of the risk event should it occurs, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score. In terms of investment, the Fund has a diversified portfolio of assets to mitigate against downturns in individual markets, but market events may lead to a fluctuation in the Fund value, which demonstrates that if the markets as a whole crash, then there is little that mitigating actions can do.

3.2 The East Sussex Pension Fund risk profile (Appendix 1) has changed over the past six months. Two risks have been added to the register and a risk has decreased in severity. No risks have been removed. As is normal, there have been minor changes to control measures across the risk portfolio. Two added risks are:

- Cyber Security of member data – personal employment and financial data;

- Cyber Security of third party suppliers.

3.3 The more substantive change from critical to major risk relates to Risk 2 – Poor or inadequate delivery of Pensions Administration by service provider (Orbis -Business Operation), and achieving value for money.

3.4 In addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and the level of risk will be reviewed once these additional actions have been implemented.

3.5 Further risks are likely to arise from future decisions taken by the Pension Committee, and from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

4. Conclusion and reasons for recommendations

4.1 Monitoring of the Risk Register helps to ensure that the Pension Board fulfils its role to assist with securing effective and efficient governance and administration of the Local Government Pension Scheme for the East Sussex Pension Fund. Therefore, the Board is recommended to consider and comment on the Pension Fund Risk Register.

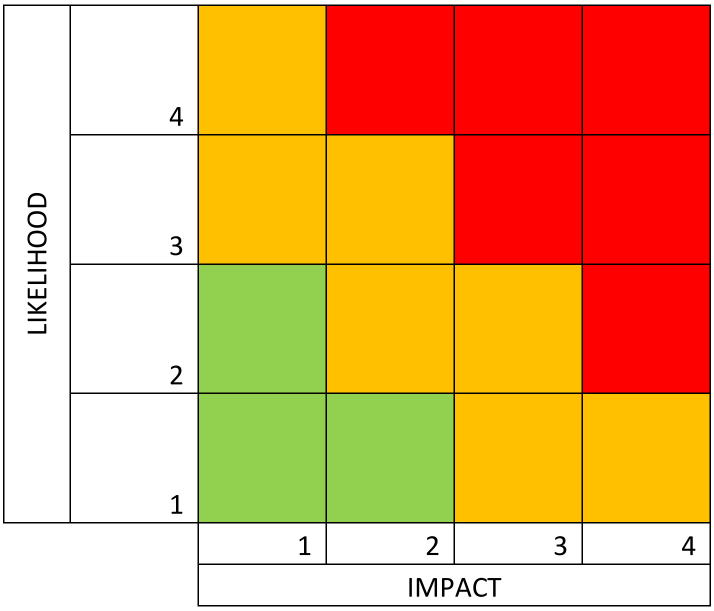
PHIL HALL
Interim Chief Finance Officer

Contact Officers: Ola Owolabi, Head of Accounts and Pensions, 01273 482017
ola.owolabi@eastsussex.gov.uk

Background Documents
None

Appendix 1

The risk scores are calculated using the risk matrix below:



For the **likelihood**, there are four possible scores:

1 HARDLY EVER	2 POSSIBLE	3 PROBABLE	4 ALMOST CERTAIN
Has never happened No more than once in ten years Extremely unlikely to ever happen	Has happened a couple of times in last 10 years Has happened in last 3 years Could happen again in next year	Has happened numerous times in last 10 years Has happened in last year Is likely to happen again in next year	Has happened often in last 10 years Has happened more than once in last year Is expected to happen again in next year

For the **impact**, there are four possible scores, considered across four areas:

	1 NEGLIGIBLE (No noticeable Impact)	2 MINOR (Minor impact, Some degradation of non-core services)	3 MAJOR (Significant impact, Disruption to core services)	4 CRITICAL (Disastrous impact, Catastrophic failure)
SERVICE DELIVERY (Core business, Objectives, Targets)	Handled within normal day-today routines.	Management action required to overcome short-term difficulties.	Key targets missed. Some services compromised.	Prolonged interruption to core service. Failure of key Strategic project.
FINANCE (Funding streams, Financial loss, Cost)	Little loss anticipated.	Some costs incurred. Minor impact on budgets. Handled within management responsibilities.	Significant costs incurred. Re-jig of budgets required. Service level budgets exceeded.	Severe costs incurred. Budgetary impact on whole Council. Impact on other services. Statutory intervention triggered.
REPUTATION (Statutory duty, Publicity, Embarrassment)	Little or no publicity. Little staff comment.	Limited local publicity. Mainly within local government community. Causes staff concern.	Local media interest. Comment from external inspection agencies. Noticeable impact on public opinion.	National media interest seriously affecting public opinion
PEOPLE (Loss of life, Physical injury, Emotional distress)	No injuries or discomfort.	Minor injuries or discomfort. Feelings of unease.	Serious injuries. Traumatic / stressful experience. Exposure to dangerous conditions.	Loss of life Multiple casualties

East Sussex Pension Fund
RISK REGISTER

Risk areas covered

1 Pension Fund Governance & Strategy
2 Pensions Administration
3 Pension Investments

Service Objectives

1 Ensure there are enough assets to cover liabilities in the long term
2 To prepare the final accounts for the Pension Fund to the agreed timetable
3 To monitor the external managers to ensure they are acting within the Investment Management Agreement (IMA)
4 To work in partnership with Orbis Business Operations to ensure an effective and efficient Pensions Administration Service is provided
5 To ensure that there is sufficient liquidity available to pay drawdowns on the Funds commitments and pensions due
6 To comply with statutory deadlines

ID	Linked to Objective	Risk Area	Description of Risk: Source (Lack of-… Failure to -…)	Description of Risk: Consequences (Results in -… Leads to -…)	Existing Controls	Score: Likelihood	Score: Impact	Overall Risk Score
1	4	1,2	Payments of pensions contributions ● Non-collection ● Miscoding ● Non-payment	● If not discovered it effects employers FRS17/IAS19 & Valuation, final accounts cash flow in pension fund ● Increase in investment risk taken to access higher returns	● Employer contribution monitoring ● Additional monitoring at specific times ● SAP / Altair quarterly reconciliation ● Improved employer contribution forms ● Annual year end checks	2	3	6

2	4,6	2	Poor or inadequate delivery of Pensions Administration by service provider (Orbis -Business Operation), and achieving value for money	● Members of the pension scheme not serviced ● Statutory deadlines not met ● Employers dissatisfied with service being provided + formal complaint ● Complaints by members against the administration (these can progress to the Pensions Ombudsman) ● Damaged reputation ● Financial loss to fund from poor decision making process	● Key Performance Indicators ● Internal Audit ● Reports to Pension Board / Committee ● Awareness of the Pension Regulator Guidance ● Follow procurement rules ● Decisions supported by fully costed business case	**2**	**3**	**6**
3	2,3,4	1	Loss of key staff both Orbis Finance & Business Operations and loss of knowledge & skills	● Inability to deliver service ● Damaged reputation ● Pensioners not paid	● Diversified staff / team ● Look at other authorities with best practices to ensure Orbis positions still desirable ● Attendance at pension officers user groups ● Procedural notes which includes new systems as and when required ● Section meetings / appraisals ● Succession planning	**2**	**2**	**4**
4	4	2	Paying pension benefits incorrectly	● Damaged reputation ● Financial loss ● Financial hardship to members	● Internal control through audit process ● Constant monitoring / checking ● In house risk logs ● SAP / Altair reconciliation ● Task management ● Vita cleansing	**2**	**3**	**6**
5	3	3	Custodian bank (Northern Trust) goes bust	● Inability to trade ● No reconciliation or accounting service ● Losses to cash account	● Service level agreement with termination clause ● Regular Meetings ● Regular reports SAS 70/AAF0106 ● Other Custodian options - review markets	**1**	**4**	**4**

6	1,3	3	Poor investment performance from managers	● Lower funding level ● Increase in employer contributions	● Performance measurement ● Managers report quarterly ● Reporting to pensions committee and board ● Diversification across managers ● Independent Advisor ● Investment consultant	**2**	**3**	**6**
7	1,3,6	1,3	LGPS Investment Pooling	● Mandated into inappropriate investments ● Lower funding level ● Damaged reputation ● Increase in employer contribution ● Increase in investment risk taken to access higher returns ● There can be size restrictions on certain investments ● Funds can be too big to fulfil their target allocation, ● Difficulty in switching in and out of the large position and possible delays in execution of investment decisions.	● Engagement in ACCESS asset pool group ● Reporting to Pensions Committee and Board ● Engagement with third party experts (e.g. Legal and Tax) ● Creation of a detail project plan	**2**	**3**	**6**
8	1	1,3	Assets not enough to meet liabilities	● Lower funding level ● Increase in employer contributions ● Increase in investment risk taken to access higher returns	● Valuation ● Annual Investment Strategy Review ● Daily monitoring of funding level ● Investment Advisors	**2**	**3**	**6**
9	1	1	Required returns not met due to poor strategic allocation	● Damaged reputation ● Increase in employer contribution ● Pay Pensions ● Increase in investment risk taken to access higher returns	● Investment Advisors ● Triennial review ● Performance monitoring ● Annual Investment Strategy Review ● Reporting to Pensions Committee and Board ● Compliance with the Statement of Investment Principles ● Compliance with the Funding Strategy Statement	**2**	**3**	**6**

10	3	3	Non-compliance of external fund managers	● Damaged reputation ● Financial loss	● FCA regulated ● Manager due diligence ● Investment Management Agreement ● Manager monitoring ● Report quarterly to Pension Committee ● Investment Advisors ● Additional managers meetings ● Termination clause	**2**	**2**	**4**
11	1	2	Financial/Accounting regulations (e.g. CIPFA) not adhered to / legal guidelines not followed	● ESCC may incur penalties ● Damaged reputation ● Qualified Annual Report	● Regulation of Fund Managers AAF 01/06 & SAS 70 & equivalents ● Contracts in place setting out parameters ● Internal staff are appropriately qualified and aware of policies and procedures ● Pension Fund managed in line with regulations ● Membership of CIPFA Pensions Network, NAPF, LAPFF etc.	**2**	**2**	**4**
12	1,3	1,2, 3	Fees and charges of investment managers, actuary and investment adviser are excessive and not proportionate.	● Not achieving value for money ● Lower funding level ● Damaged reputation ● Increase in employer contribution ● Increase in investment risk taken to access higher returns	● Both at tender stage and throughout the contracts, charges which are value for money are sought and challenged when appropriate. ● Fees and charges are identified in the Annual Financial Statement and specifically highlighted for the Pension Fund Board/Committee to consider.	**2**	**2**	**4**

13	3	1,2, 3	Personal gain (internal or external) through: ● Personal dealing ● Fraud or misappropriation of funds ● Fraud risk not being managed ● Manipulating share price	● Financial loss ● Damaged reputation ● Lower funding level ● Increase in employer contribution ● Increase in investment risk taken to access higher returns	● Protocol regarding personal dealing ● Declaration of interests ● Investment Management ● Agreements with Fund Managers ● Vetting of new Fund Managers through tender process ● Access restricted regarding transfer of funds - authorised signatories required ● Regulation of Fund Managers ● Code of Conduct ● Separation of duties ● Internal & external audit ● Monthly reporting ● Reconciliation procedures	**1**	**3**	**3**
14	2	1	Financial Statements of Pension Fund incorrect or late	● Damaged reputation ● Qualified accounts	● Agreed timetable ● Externally audited ● Qualified and trained staff ● Closedown procedures ● Compliance with CIPFA code of Practice and IFRS	**2**	**3**	**6**
15	1,2,3,4	1	Governance of the pension fund	● Financial loss ● Damaged reputation ● Legal issues	● Governance compliance statement ● Pension Committee and Board reporting ● Monthly member letter ● Statement of Investment Principles ● Funding Strategy Statement ● Trained Committee members and officers	**1**	**3**	**3**
16	4	1,2	Lack of Communication with employers	● Damaged reputation ● Incorrect payments/receipts ● Maladministration	● Employer forum ● Annual employers meeting ● Pensions website ● Pension board representatives feedback	**2**	**2**	**4**

17	1,5	1,3	Maturing Fund	● Cash flow issues ● Increasing employer rates ● liquid investments	● Investment strategy ● Cash flow monitoring ● Discourage opt outs ● New scheme 50/50 option ● Communication	**2**	**2**	**4**
18	3	3	Investment Manager goes bust	● Inability to trade ● No reconciliation or accounting ● Losses to assets ● Increase in investment risk taken to access higher returns ● Increase in employer contributions	● Service level agreement with termination clause ● Regular Meetings ● Regular reports SAS 70/AAF0106	**1**	**4**	**4**
19	1	1,3	Employers unable to pay increased contributions	● Lower funding level ● Increase in employer contributions ● Employer forced to sell assets ● Employer forced into liquidation ● Increase in investment risk taken to access higher returns	● Valuation ● Regular communication with Employers ● Monthly monitoring of contribution payments ● Meetings with employers where there are concerns	**3**	**3**	**9**
20	4	2	Cyber Security of member data - personal employment and financial data	● ESCC may incur penalties ● Damaged reputation ● Legal issues ● Members of the pension scheme exposed to financial loss ● Members of the pension scheme exposed to identity theft ● Members of the pension scheme data lost or compromised	• ICT defence-in-depth approach • Utilising firewalls, • Email and content scanners • Using anti-malware. • ICT performs penetration and security tests on regular basis	**1**	**4**	**4**
21	1,3,5	3	Cyber Security of third party suppliers	● Damaged reputation ● Financial loss ● Inability to trade ● Lower funding level ● Increase in employer contribution ● Increase in investment risk taken to access higher returns	● Service level agreement with termination clause ● Regular Meetings ● Regular reports SAS 70/AAF0106 ● Investment Advisors ● Global custodian	**1**	**4**	**4**

Report to: **Pension Board**

Date: **3 November 2016**

By: **Interim Chief Finance Officer**

Title of report: **Pension Fund Governance and Investments - Internal Audit Report**

Purpose of report: **This report provides the Board with the Pension Fund Governance and investments audit.**

RECOMMENDATION

The Board is requested to note the report.

---

1. Background

1.1 The review of Pension Fund Governance and Investments has been completed as part of the agreed annual audit plan for 2016/17. The audit report aims to provide assurance on the overall effectiveness of the system's controls and identifies areas of concern or weakness where improvements can be made.

2. Supporting Information

2.1 The East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund ("ESPF") on behalf of all participating employers in East Sussex. The scheme provides retirement benefits for Council employees, employees of Brighton & Hove City Council, the five boroughs and district councils in East Sussex, together with various other scheduled and admitted bodies.

2.2 Responsibility for the overall direction of the Fund's investment policy lies with the Pension Committee. The Pension Board is there to assist the Scheme Manager in securing compliance and providing assurance in the governance of the scheme administration. Day to day management of the investments has been delegated to external fund managers, who report to the Pension Committee quarterly on their activities.

2.3 Based on the work completed as part of this review, the Internal Audit has assigned a **Full Assurance opinion** on the combined investments and governance audit, and that controls are operating effectively.

2.4 This is the second time that the internal audit has combined the audits for investments/governance and again able to give full assurance that controls are operating effectively. The audit identified three minor issues all of which are low level recommendations, which have been agreed with responsible officers prior to finalising this report, as follow-

i. Communications with stakeholders - there is an annual statutory deadline (31 August) by when 'Annual Benefit Statements' should be sent to members and for the second year running, auditors noted that the statutory deadline (31 August) to submit statements to active ESPF Members was missed.

ii. Pension Administration Strategy - Whilst this is not a statutory requirement, it is a good practice to have one. Management responded that this document will be completed and published as part of the 2016 valuation, moving the completion date to no later than 31st March 2017.

iii. Customer Satisfaction Survey - Management agreed to consider the publication of a customer survey, both for employees and employers, once the new regulations were embedded and the administration restructure was complete.

3. Conclusion and recommendations

3.1 The report has been written on an exception basis, whereby only control weaknesses have been reported, and the audit has been conducted in conformance with Public Sector Internal Audit Standards and internal quality assurance systems.

PHIL HALL
Interim Chief Finance Officer

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

Background Documents:

None

Agenda Item 9a

Report to: **Pension Board**

Date of meeting: **3 November 2016**

By: **Chief Operating Officer**

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

Purpose: **To provide an update on current administration themes in relation to the service provided to the Pension Fund by Orbis Business Operations**

RECOMMENDATIONS

The Board is recommended: 1) to note the update provided; and 2) provide any feedback on the new Key Performance Indicators which are due to be fully operational from Quarter 3 of 2016/17.

---

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 Review of Key Performance Indicators (KPIs)

2.1 The Board and Committee previously agreed to Business Operations proposals for an updated set of KPIs to provide full transparency of the scale of the scheme administration and to provide assurance of key standards and deadlines being met. A number of additional measures previously not incorporated in KPI's are being introduced and a customer feedback section is now included allowing a sense check of how customers and employers rate the service.

2.2 Although the new KPIs are due to be fully operational from 1 October 2016, Business Operations has reported the last quarter's performance using the new design in order to provide the Board with early sight of the new arrangements.

2.3 **Appendix 1** shows the individual months performance levels using the new proposed layout. All individual KPIs previously reported are still included and new measures will be reported from 1 October. Board members are invited to comment on the layout.

3 Scheme Member communications – Annual Benefit Statements

3.1 At the last Board meeting we advised that we were hopeful of meeting the 31 August deadline for the production of annual benefit statements. In the event, the issue dates were as follows:-

Active Members	13 September
Deferred Members	August 2016
Councillor Members	August 2016

3.2 In line with the Reporting Breaches Policy approved by the Pensions Committee in May 2016, Business Operations notified the S151 Officer and the Monitoring Officer of this breach. We explained that the deadline was a particularly challenging one for active members because it relied on both timely receipt of year- end financial returns from all employers in the fund and accuracy of content of such returns. The workload associated with processing and validating year-end returns was more involved this year because of the timing of the first tri-ennial valuation of the pension fund (at 31 March 2016) since the new career average scheme was introduced in 2014. The administration team dealt with a higher than anticipated 13,000 queries associated with the new data specifications from the pension fund actuary as a direct result of processing the year-end returns.

3.3 Business Operations advised members through this year's statements that we will be making future statements available online from 2017 onwards via a secure scheme member's portal. As well as a cost saving, the additional benefit is that this will eradicate the inevitable time delay associated with printing and distribution of annual statements. It is expected this will save at least three weeks.

3.4 The annual statements this year were produced by the Surrey based team who interrogated two completely separate databases for Surrey and East Sussex to extract and configure the complex data set used to produce the statements. Following the data merge referred to in Section 4 below future production can be run from a single source, increasing efficiency of production. As a result of both of the above, Business Operations is confident of meeting the 31 August date from 2017 onwards.

3.5 The Regulator's Code of Practice provides further guidance on matters that may be considered to be of material significance, focusing on the effect of the breach on scheme members. Business Operations did not consider that a delay of two weeks would have a material effect on scheme members or would affect their retirement planning in any way. We were of the opinion that this breach was not of material significance and it was not necessary to report it to the Pensions Regulator. The Monitoring Officer concurred with this view and asked to be informed of any complaints regarding the delay. No such complaints have been received.

4. Systems Update

4.1 In October 2016, Business Operations successfully completed the migration of the pensions database from an externally hosted environment to the integrated Orbis database. As well as producing a direct cost saving for the pension fund, as previously shared, this will start to provide efficiencies through the removal of duplication of effort for back-office support and facilitate a move to a single set of processes.

4.2 Now that the integration has been completed, work has now commenced on the next phase of the system development programme to provide an online portal for scheme members. Business Operations will update the Board on the launch of this portal at the next meeting.

Kevin Foster
Chief Operating Officer

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

Background documents:

None

East Sussex Pensions Administation - Key Performance Indicators 2016-17

	Activity	Measure	Impact	Target	Jul		Aug		Sep		
	Scheme members	Pensioners, Active & Deferred			70,132		70,149		70,581		
	New starters set up				888		265		347		
	Data quality	Meeting regulatory standards			Commencing Q4						
	Cost per member	Administration cost in CIPFA benchmarking		<lowest quartile	Report due for publication Oct 2016						
	ABS sent - Councillors	Statutory deadline		Due by 31 Aug			*Achieved*				
	ABS sent - Active	Statutory deadline					*13-Sep*				
	ABS sent - Deferred	Statutory deadline					*Achieved*				
					Volume	**Score**	**Volume**	**Score**	**Volume**	**Score**	
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%							To be measured from (
1b	Award dependent benefits	within 5 days	H	95%	17	94%	13	92%	9	100%	
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%							
2b	Payment of lump sum made	within 5 days	H	95%	116	94%	138	91%	122	96%	
3	Calculation of spouses benefits	within 5 days	M	90%	17	94%	13	92%	9	100%	
4a	Transfers In - Quote (Values)	within 10 days	L	90%	34	94%	38	97%	30	97%	
4b	Transfers In - Payments	within 10 days	L	90%	1	100%	11	100%	20	95%	
5a	Transfers Out - Quote	within 25 days	L	90%	11	100%	11	91%	42	88%	
5b	Transfers Out - Payments	within 25 days	L	90%	0	n/a	0	n/a	4	100%	
6a	Employer estimates provided	within 7 days	M	95%							To be measured from (
6b	Employee projections provided	within 10 days	L	95%	103	88%	137	88%	84	93%	
7	Refunds	within 10 days	L	95%	45	100%	51	100%	24	100%	
8	Deferred benefit notifications	within 25 days	L	95%	334	97%	257	96%	147	99%	
9	Complaints received- Admin				0		1		1		
	Complaints received- Regulatory				0		1		0		
10	Employer survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%			29	93%			
11	Member survey satisfaction	Overall satisfaction (Excellent/good)		90%	21	100%	24	100%	22	100%	
12	Compliments received										Commencing Novemb

Appendix 1

Q3

Q3

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Report to: **Pension Board**

Date of meeting: **3 November 2016**

By: **Interim Chief Finance Officer**

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

Purpose: **To provide a general update to the Pension Board on matters related to the Board's activity.**

RECOMMENDATION

The Board is recommended to note the report.

---

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 2016/17 is that the fund will generate a surplus of £7.1m; 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 30 September 2016.

PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS	**Original 2016/17 £m**	**Projected Outturn 2016/17 £m**	**Variance £m**
Employees Contributions	28.1	29.0	0.9
Employers Contributions	94.3	90.2	(4.1)
Deficit Recovery	5.2	5.0	(0.2)
Transfers In	4.0	6.4	2.4
TOTAL INCOME	**131.6**	**130.6**	**(1.0)**
Pensions Benefits Paid	(97.4)	(101.2)	(3.8)
Pensions Lump Sum Paid	(19.9)	(21.4)	(1.5)
Administration expenses	(2.1)	(2.1)	-
Transfers Out (excluding Probation transfer)	(5.1)	(3.1)	2.0
TOTAL EXPENDITURE	**(124.5)**	**(127.8)**	**(3.3)**
SURPLUS CASH	**7.1**	**2.8**	**(4.3)**

3. National Development - updates

Local Government Pension Scheme pooling and Funds Collaboration

ACCESS Pool Proposed Governance Structure.

3.1 The 13 October 2016 meeting of the ACCESS Chairmen focused on Governance and delegations, i.e. -

- Governance Structure (**Appendix 1**);
- Agree the Terms of Reference for the Joint Governance Committee (JGC);
- Officer Working Group remit;
- Procurement of legal advisor for Inter Authority Agreement (IAA).

3.2 The purpose of the JGC is to ensure that the strategic investment requirements of the Constituent Authority funds are being met by the pool, to monitor performance of the Operator and hold the Operator to account, set out a strategic plan, short term business plan and budget for the pool.

3.3 Governance work is ongoing on an Inter Authority Agreement between the eleven sponsoring Pension Funds. This will be a legally binding document addressing key issues such as decision making powers, voting and financial arrangements, etc. The Pool has commissioned a legal advice on the Inter-Authority Agreement (IAA) forming part of the formal governance arrangement for the pool. This agreement and the Governance structure are subject to ratification by the entire individual administering authorities in the pool, according to the applicable constitutional and governance protocols of each.

3.4 **Central Government Pooling "Green Light** - The potential costs of pooling across the Funds are significant, for example annual running costs of between £2m to £4m. The Chairmen therefore, unanimously agreed the need for confirmation from Central Government that the ACCESS pool proposals submitted in July 2016 are approved, prior to incurring further material costs on the Pooling agenda.

3.5 **Investment Pooling Governance Principles for LGPS Administering Authorities** - This month sees the launch of CIPFA's guidance on Investment Pooling Governance Principles for LGPS Administering Authorities. Hymans Robertson's summary is attached as **Appendix 2.** The guidance is designed to assist administering authorities in applying good governance principles as they move towards, and participate in, the new era of pooled assets. It focuses mainly on governance from the perspective of the individual authorities participating in a pool, rather than the pool's own governance arrangements

4. 2016 Employer Forum

4.1 The East Sussex Pension Fund (ESPF) Employer Forum is scheduled for 18 November 2016 at the County Hall. The draft itinerary is attached as **Appendix 3**.

5. Pension Board Agenda – February 2017

5.1 The draft agenda for the 9 February 2017 Pension Board meeting include the following-

- Polices of the administering Authority
  - conflicts of interests
  - record-keeping/meeting attendance
  - data protection and freedom of information
- Reporting breaches
- Funding Strategy Statement
- Communications policy statement
- Funds Actuarial Valuation Report
- Pension administration statement

6. Conclusion and reasons for recommendations

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

PHIL HALL
Interim Chief Finance Officer

Contact Officers: Ola Owolabi, Head of Accounts and Pensions, 01273 482017
ola.owolabi@eastsussex.gov.uk

Background documents:

None

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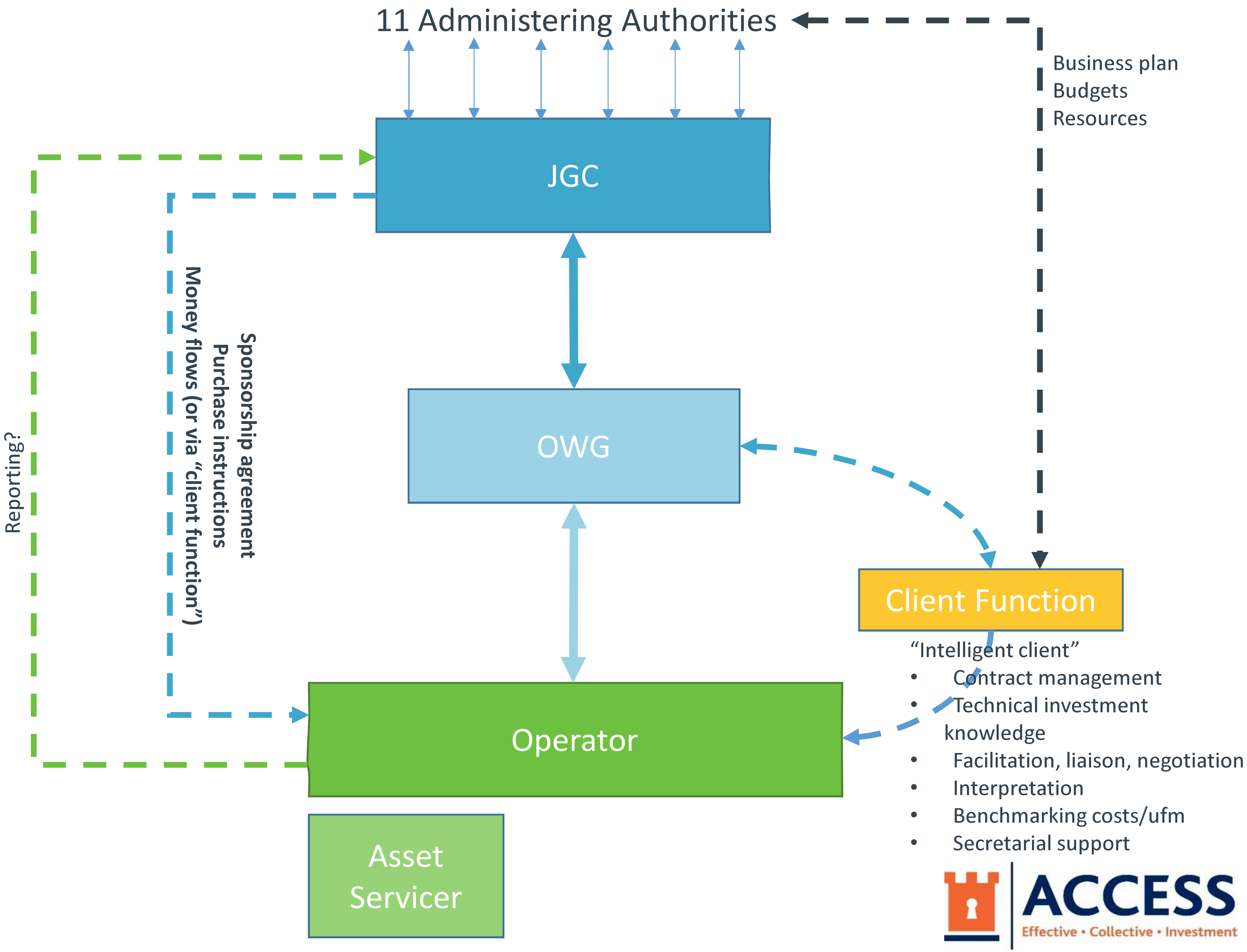
ACCESS

Effective • Collective • Investment

Chairmen's update meeting
13 October 2016

Appendix 1

ACCESS Governance Structure



Individual Fund Roles

Individual funds

- Strategic decisions
  - Strategic asset allocation
  - ISS/FSS
  - Investment beliefs
- Policies
  - Responsible investment
  - Rebalancing policy
  - Voting policy
  - Stock lending – what is in/out – existing/future
- Monitoring/reporting
  - Monitoring investment performance of own portfolio
  - Performance and consolidated reporting for non-pooled assets
  - Reporting for own fund (for pooled assets)
  - Consolidated reporting for pooled/non-pooled assets
- Governance
  - Holding pool to account (e.g if not happy with sub-fund performance, can ask for a review)
- Operational/BAU
  - Timing of transitions
  - Custody for non-pooled assets
  - Fund Manager relationships
  - Sub-fund choice (e.g. uk equity active)
  - Choice of single manager sub-funds

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Joint Governance Committee Roles

Joint governance committee

- Operator relationship
  - Agree on specification and supplier
  - Hold to account
- Sub-funds
  - Sub-fund design
  - Manager selection for each sub-fund
  - Access to alternatives (i.e. infrastructure)
  - Strategic migration plan
  - Consolidation of managers
- Value for money
- Strategic planning (including resourcing plan) , business plan and budget
- Governance
  - Conform with IAA (joiners/leavers/cost allocation)
  - Hold Officer Working Group (OWG) to account
  - Oversight of all assets under pool governance
- Implement common policies (e/g/ stock lending/voting)
- Cross pool liaison
- Approve other advisors and suppliers

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Operator Responsibilities

Operator

Core responsibilities

- Fund administration
- All regulated functions and reporting
- Select and contract with fund managers
- Select and procure asset servicer (Trading agent/depository/custodian/accounting)
- Establish and operate vehicles

Optional functions

- Manager searches/prepare shortlist
- Transition management
- Enhanced performance reporting
- Implementing individual fund rebalancing policy
- Executing funding level triggers
- Fiduciary policy (i.e. cross trading)

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Key milestones/deliverables/decisions

	Month		Key deliverables	Resource	Timeframe
Phase 1	Sept	Governance	Amend current MOU	1 day	2 Sept 2016
			Draft and review ToR for JGC		Mid-Sept 2016
			Draft OWG remit	5 weeks	Mid-Sept 2016
			OWG agree OWG remit for presentation to Chairmen	1 day	End-Sept 2016
		Legal	OWG agree what advisors are needed and procurement approach	1 day	End-Sept 2016
			Lead authority to utilise national framework		End-Sept 2016
		FM	Agree project structure, stakeholders, workstreams, communications and reporting and responsible parties		Mid-Sept - End-Sept 2016
	Oct	Governance	Convert OWG remit to ToR	1 day	Mid-Oct 2016
			JGC agree OWg and JGC ToRs	1 day	Mid-Oct 2016
			Begin drafting JGC constitution	1 day	Mid-Oct 2016
			Shadow JGC established	8 wks	Mid-Oct 2016
		Legal	IAA legal advisor drawn down from national framework	4 wks	End-Oct 2016
			JGC agree mini-competition and JGC involvement for full legal procurement	1 day	Mid-Oct 2016
			Issue specification for full project legal advisors, start mini competition	4-6 wks	Mid-Oct 2016
		OP	PIN drafted	2 wks	Mid-Oct 2016
			Issue PIN	1 day	End-Oct 2016
		ID	Begin drafting operator requirements	4 wks	Start-Oct 2016
			Begin defining number and types of sub-funds	4 wks	Start-Oct 2016
		P	Discussions needed on procurement approach and number of managers etc		Mid-Oct 2016
	Nov	Gov.	Drafting of JGC constitution	6 wks	Mid-Nov 2016
			Begin drafting IAA	6 wks	Mid-Nov 2016
		Leg	Procure full project legal advisor via mini competition	4-6 wks	End-Nov 2016
			Appoint full project legal advisor	1 day	End-Nov 2016
		OP	PIN response period	35 days	End-Nov 2016
			Engagement days with PIN respondents	1 wk	End-Nov 2016
		P	Start drafting passive procurement manager specification	5 wks	Start-Nov 2016
			National framework set up	milestone	End-Nov 2016
		ID	Strawman Operator requirements & sub-fund definitions reviewed by OWG	1 day	Start-Nov 2016
			Updates to operator requirements	4 wks	November 2016
			Updates to sub-fund required	4 wks	November 2016
	Dec	Gov.	Drafting of JGC constitution	2 wks	December 2016
			Drafting of IAA	3 wks	December 2016
		ID	Strawman Operator requirements & sub-fund definitions for review by JGC	1 day	Mid-Dec 2016
			Further updates to draft operator requirements	3 wks	End-Dec 2016
			Further consideration of number and type of sub-funds required	3 wks	End-Dec 2016
		OP	Engagement days with PIN respondents	1 wk	Start-Dec 2016
			Draft RfP, design criteria and assess criteria weightings	2 wks	End-Dec 2016
		Pass.	Draft passive procurement manager specification	5 wks	Start-Dec 2016
			OWG agree procurement method & JGC involvement	1 day	Mid-Dec 2016
			Finalise passive procurement manager specification	2 wks	End-Dec 2016

ACCESS
Effective • Collective • Investment

HYMANS ROBERTSON

Sixty second summary

Investment Pooling Governance Principles for LGPS Administering Authorities

Ian Colvin
Head of Benefits Consulting

William Marshall
Head of Investment Clients

How can you secure your Fund's objectives in a post pooling world?

This month sees the launch of CIPFA's guidance on Investment Pooling Governance Principles for LGPS Administering Authorities. The guidance is designed to assist administering authorities in applying good governance principles as they move towards, and participate in, the new era of pooled assets. It focuses mainly on governance from the perspective of the individual authorities participating in a pool, rather than the pool's own governance arrangements.

This guidance follows closely on the heels of the Investment Regulations and DCLG guidance on producing the new Investment Strategy Statement. Although not directly focussing on investment issues, this guidance is a useful reminder that the ability to successfully deliver an investment strategy cannot be divorced from the governance that underpins it.

Administering Authority Focus

Quite naturally, a lot of elected member and officer time has lately been focussed on understanding the requirements of asset pools and developing knowledge of new elements such as fund operators, Authorised Contractual Schemes and FCA regulation. In working with a number of pools, however, we have been keen to stress that the journey involves several stakeholders and the overall governance of pools needs to acknowledge this. Only by giving proper weight to all of the elements can the likes of legal and contractual matters, financial regulation and locally accountable democracy dovetail properly.

We welcome the fact that this guidance gives some pointers to administering authorities in terms of reviewing their internal governance arrangements. For example, administering authorities should be considering what changes may be needed to its scheme of delegation and to the terms of reference of its pension committee in order to deliver its objectives in a post pooling world.

The fundamentals don't change

There is no doubt that asset pooling represents a big change to the way the LGPS works and no one underestimates the work required to deliver it. However, in many ways the fundamentals don't change. Administering authorities will retain their responsibility for the management of all aspects of the fund as well as their fiduciary duties to scheme employers and scheme members.

Although manager appointments will in future be made by the pool rather than by individual funds, it will remain the responsibility of individual pension committees to set their own investment strategy and decide asset allocation. The pool needs to be set up to enable individual funds to implement their locally decided strategy.

Each administering authority will still need to develop its own policies on matters such as ESG and voting rights and work with the other participating authorities in the pool to ensure that these policies can be delivered.

We believe that the core attributes of a good fund remain the same. Good funds will continue to have clear objectives, well defined investment beliefs and the appropriate strategies and structures in place to deliver them. It's also important to understand the risks that might prevent funds from achieving their objectives, and committees and officers should already be thinking about whether their risk registers need updating in order to reflect the move to collective assets.

Knowledge and Skills

The guidance also updates the Knowledge and Skills framework for pension committee members and officers to reflect the additional competencies required by pooling. Most committees will currently have pooling as an agenda item at every meeting. It is important though that training plans are flexible enough to adapt to the changing landscape, that members receive training that fits in with the overall training strategy and that learning outcomes are measured and recorded.

Conclusion

Although asset pooling represents a significant change to the way the LGPS does business, the underlying principles of sound governance remain the same. Funds should ensure their own internal processes, structures and policies reflect the changing environment. There needs to be clarity about objectives and robust internal controls in order to achieve those objectives. At the same time, funds need to ensure that their members and officers can demonstrate the appropriate capability, leadership and knowledge to deliver the move to pooled assets successfully.

As an immediate list of action points, we suggest administering authorities should be considering;

- delegated responsibilities;
- the terms of reference for the committee;
- committee training;
- updating the business plan;
- building in an automatic review of administering authority governance in 12 to 18 months to ensure that that objectives are being delivered.

If you wish to discuss any of these issues further please contact;

Ian Colvin on 0141 566 7788 (ian.colvin@hymans.co.uk)

William Marshall on 0131 656 5116 (william.marshall@hymans.co.uk)

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

ANNUAL EMPLOYERS FORUM – EAST SUSSEX PENSION FUND

FRIDAY 18 NOVEMBER 2016, COUNCIL CHAMBER, COUNTY HALL, LEWES

AGENDA

10.00	**Introduction** *Phil Hall – Interim Chief Finance Officer*
10.05	**Chairman's Address** *Cllr Richard Stogdon - Chair of the East Sussex Pension Committee*
10.10	**Local Pension Board – "One Year On…."** *Richard Harbord - Chair of the East Sussex Pension Board*
10.30	**Current market environment – L & G**
11.00	**LGPS Investment Pooling, ACCESS** *Ola Owolabi, Head of Accounts and Pensions*
11.15	**Pension Administration - update** *Jason Bailey, Pension Services Manager*
11.30	**Coffee Break**
	<u>Presentation from the Fund's Actuary :-</u>
11.45	**2016 Valuation Update by the Fund's Actuary** *Richard Warden, Fund Actuary, Hymans Robertson*
13.00	**Lunch**
	Employer Surgeries
14.00	**Close**

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Report to: **Pension Board**

Date: **3 November 2016**

By: **Interim Chief Finance Officer**

Title: **Forward Plan**

Purpose: **The updated report sets out the Forward plan for the Pension Board and Committee for 2016-17. The Plan includes the key objectives, training strategy/plans, and a Members' training log.**

RECOMMENDATION

The Board is recommended to note the report.

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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 online 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.

4. Joint Pension Board and Committee Training Session

4.1 The topics to be covered are detailed within the Pension Board and Committee Forward/Training plan. Following the successful joint training session on 26 October 2016, the next joint training session is scheduled to take place in January 2017.

5. Conclusion and reasons for recommendations

5.1 The Board is recommended to note the Pension Fund Board/Committee Forward Plan 2016/17.

PHIL HALL
Interim Chief Finance Officer

Contact Officers: Ola Owolabi, Head of Accounts and Pensions, 01273 482017
ola.owolabi@eastsussex.gov.uk

EAST SUSSEX PENSION FUND

PENSION BOARD/COMMITTEE FORWARD PLAN 2016-17

November 2016

Contents

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 out 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 (SIP)**
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.

What do the regulations require?

Description	**Pre 2016**	**Post 2016**
Statement of Investment Principles ("SoIP")	Yes	No
Investment Strategy Statement ("ISS")	No	Yes

Investment strategy statement (ISS) - As part of revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the new regulations propose to remove the schedule of limitations on investments. Instead authorities will be expected to take a prudential approach, demonstrating that they have given consideration to the suitability of different types of investment, have ensured an appropriately diverse portfolio of assets and have ensured an appropriate approach to managing risk. The new ISS is expected to be implemented from April 2017.

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 PLAN

PENSION BOARD FORWARD/BUSINESS PLAN											
Date **Item**	**November 2016**	**February 2017**	**June 2017**	**August 2017**	**November 2017**	**February 2018**	**May 2018**	**August 2018**	**November 2018**	**February 2019**	**May 2019**
1	2016 LGPS Regs., and Investment Strategy Statement (ISS)- Guidance	Polices of the administering Authority · 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	Polices of the administering Authority · 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	Polices of the administering Authority · conflicts of interests · record-keeping/meeting attendance · data protection and freedom of information	Key member and employer communications
2	Internal Audit report - Pension Fund Governance and Investments	Reporting breaches	Discretionary policy statement	Statement of investment principles	Internal Control Register	Reporting breaches	Discretionary policy statement	Statement of investment principles	Internal Control Register	Reporting breaches	Discretionary policy statement

PENSION BOARD FORWARD/BUSINESS PLAN											
Date / **Item**	**November 2016**	**February 2017**	**June 2017**	**August 2017**	**November 2017**	**February 2018**	**May 2018**	**August 2018**	**November 2018**	**February 2019**	**May 2019**
3	Risk register	Funding Strategy Statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarkin g	Risk register	Communicat ions policy statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarkin g	Risk register	Communicat ions policy statement	External Assurance Reports from Third Parties
4	Funds Actuarial Valuation Report - Draft	Communicat ions policy statement	Annual Report	Investment/ Admin Consultant Performance	CIPFA Benchmarki ng	Investment/ Admin Consultant Performance	Annual Report	Investment/ Admin Consultant Performance	CIPFA Benchmarki ng	Investment/ Admin Consultant Performance	Annual Report
5		Funds Actuarial Valuation Report	Bulk Transfer, Cessations and Admission policies	Review on fee arrangement s			Bulk Transfer, Cessations and Admission policies	Review on fee arrangement s	Investment/ Admin Consultant Performance		Bulk Transfer, Cessations and Admission policies
6		Pension administrati on statement									

2. PENSION COMMITTEE – FORWARD PLAN

PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date Item	**November 2016**	**February 2017**	**July 2017**	**September 2017**	**November 2017**	**February 2018**	**May 2018**	**September 2018**	**November 2018**	**February 2019**	**May 2019**
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	Funds Actuarial Valuation Report-Draft results	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	Communications policy statement	Discretionary policy statement
3	ACCESS LGPS Pooling - update	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		External Assurance Reports from Third Parties
4	Investment Advisor Contract	Communications policy statement	Pension Committee Forward/Training Plan	Investment/ Admin Consultant Performance			Bulk,Transfer, Cessations and Admission policies	Investment/ Admin Consultant Performance			Bulk,Transfer, Cessations and Admission policies
5		Pension administration									

PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date Item	November 2016	February 2017	July 2017	September 2017	November 2017	February 2018	May 2018	September 2018	November 2018	February 2019	May 2019
		statement									

3. PENSION COMMITTEE

FORWARD PLAN – Investment Strategy Day

PENSION COMMITTEE FORWARD/BUSINESS PLAN - Strategy Day		
Date Item	July 2017	July 2018
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.

Officer's 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 of 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
• 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	• 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 evens 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 2016-2018

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 • Member's Role	✔						**1**	Completed
Members individual needs on specific areas arising during the year • Advisory Board e-learning	✔	✔			✔	✔ ✔	**1,3,4**	As required – notify Head of Accounts and Pensions
Pre- committee meeting/agendas • 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 • 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 • 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 • LGPS discretions & policies • Implications of the Hutton Review		✔	✔	✔	✔		**1,6**	
Pensions Legislation & Governance: • 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: • 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: • Current public procurement policy & procedures • UK & EU procurement legislation				✔ ✔			**3,5,6**	
Investment Performance & Risk Management: • 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: • 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 • Understanding of the operations of the fixed income manager • Understanding of Alternative asset classes				✔			**4,5,6**	
Pension Administration - • Shared service		✔	✔	✔			**2,6**	
Actuarial methods, standards and practices: • Considerations in relation to outsourcings and bulk transfers • Triennial Valuation refresher		✔ ✔					**1** **6**	
CHAIRMAN TRAINING								
• Fund Benchmarking • Stakeholder feedback • Appreciation of changes to scheme rules	✔ ✔				✔		2 4 1,5	

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TRAINING NEED	PROPOSED DELIVERY METHODS: 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 • Refresher training • Keeping abreast of current development					✔ ✔		**1,3,4,5**	
LGC Investment Conference • Fund Manager events and networking					✔ ✔		**1,2,3,4,5,6**	

<u>Key</u>

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;	14 June 2016	
The administering authority	14 June 2016	
The employers	14 June 2016	

Member/Representative Name: ……………………………………………………………………..		
Subject/Description of training	**Date completed**	**Suggested Further Action?**
The Committee	14 June 2016	
The LPB	14 June 2016	
S151 officer	14 June 2016	
Conflicts of Interest and Reporting Requirements	14 June 2016	
Consideration of the Committee and Pension Board's responsibilities in the areas of;	14 June 2016	
Conflicts of interest		
Reporting breaches of the law	14 June 2016	
2016 Triennial Valuation refresher		
Funding principles and preparing for the 2016 valuation;	14 June 2016	
Valuation basics	14 June 2016	
Role of the PC & LPB	14 June 2016	
Purpose of the valuation / Funding Strategy Statement	18 July 2016	
2013 valuation overview	18 July 2016	
Whole fund and employer results	18 July 2016	
Contribution stability / Like for like results	18 July 2016	
Funding strategy	18 July 2016	
Employer risk / Employer specific funding objectives	18 July 2016	
Experience from 2013 to 2016	18 July 2016	
Markets (asset returns and yields)	18 July 2016	

Member/Representative Name: **………………………………………………………………..**

Subject/Description of training	Date completed	Suggested Further Action?
Longevity experience	18 July 2016	
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/Reprepresentative 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		
LGPS discretions & policies		
Safeguarding the Fund's Assets		
Developing Investment Strategies Statement		
Role of the Global Custodian – Northern Trust		
Pensions legislative & Governance		

AVAILABLE TRAINING AND CONFERENCES 2016 – 2017

Date	Conference/Event	Run By	Delegates/Cost
8 November 2016	Local Pension Board Autumn Seminar	CIPFA Pensions Network (CPN)	£100
9 November 2016	CIPFA Pensions Network Annual Conference	CIPFA Pensions Network (CPN)	Free
17 November 2016	Local Authority Pension Fund Investment Strategies	SPS Conferences	Free
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
February 2017	Technical accounting workshops	CIPFA Pensions Network (CPN)	Free
27 February 2017	Local Pension Board Spring Seminar	CIPFA Pensions Network (CPN)	£100
2, 3 March 2017	Investment Seminar	Local Government Chronicle (LGC)	TBC
11 April 2017	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
May 2017	Local Authority Conference	Pension and Lifetime Savings Association (PLSA)	TBC
27 June 2017	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
28 June 2017	Local Pension Boards 2 years on	CIPFA Pensions Network (CPN)	£150
July 2017	Pension Fund Syposium	Local Government Chronicle (LGC)	TBC

Date	Conference/Event	Run By	Delegates/Cost
September 2017	Investment Summit	Local Government Chronicle (LGC)	TBC
October 2017	Annual Local Government Pension Investment Forum	Informa	TBC
24 October 2017	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
November 2017	Local Authority Forum	Pension and Lifetime Savings Association (PLSA)	Free
6, 7, 8 December 2017	LAPFF Annual Conference	Local Authority Pension Fund Forum (LAPFF)	Free
30 January 2018	LAPFF AGM And Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
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**	**26 October 2016**	**xx January 2017**
Topics	• Pension Discretions • Procurement process for services provided externally	• 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	• Valuation assumption setting • Consistency of assumptions with investment beliefs • 2016 valuation early warning • Valuation timetable and next steps	• Triennial Valuations and Understanding Liabilities • Roles of the Pension Regulator • Pensions legislative & Governance	• LGPS discretions & policies • Safeguarding the Fund's Assets • Developing Investment Strategies Statement • Role of the Global Custodian – Northern Trust

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Appendix 1

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