



PENSION BOARD

THURSDAY, 3 AUGUST 2017

10.00 AM COMMITTEE ROOM, 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 Urgent items
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Committee Agenda (*Pages 9 - 18*)
- 6 General Data Protection Regulation Compliance (*Pages 19 - 20*)
- 7 Governance Compliance Statement (*Pages 21 - 38*)
- 8 Markets in Financial Instruments Directive (MiFID II) Update (*Pages 39 - 42*)
- 9 Local Government Pension Scheme Pooling - ACCESS updates (*Pages 43 - 46*)
- 10 Review of Managers' Fees (*Pages 47 - 48*)
- 11 Officers' Report - Business Operations (*Pages 49 - 50*)
- 12 Officers' Report - General Update (*Pages 51 - 62*)
- 13 Work programme (*Pages 63 - 94*)
- 14 Any other items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
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26 July 2017

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 26 June 2017.

PRESENT	Richard Harbord (Chair), Councillor Kevin Allen, Angie Embury, Bernadette Carlyle, Sue McHugh, Councillor Brian Redman and Tony Watson
LEAD MEMBERS	Councillor David Elkin
ALSO PRESENT	Ian Gutsell, Head of Finance - ASC and Health Phil Hall, Strategic Financial Advisor 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) Russell Wood, Principal Pensions Officer

1 MINUTES

1.1 The Board agreed that the minutes were a correct record of the meeting held on 9 February 2017.

2 APOLOGIES FOR ABSENCE

2.1 There were no apologies for absence.

3 DISCLOSURE OF INTERESTS

3.1 There were no disclosures of interest.

4 URGENT ITEMS

4.1 There were no urgent items.

5 PENSION COMMITTEE AGENDA

5.1 The Board considered a report on the Pension Committee's agenda for its 17 July meeting.

5.2 In reference to **Item 9: Pension Administration System**, Phil Hall (PH), Strategic Financial Advisor, explained that an independent auditor has been commissioned to review the procurement of the pension administration system provided by Heywoods. The independent auditor's report was not ready in time for the Pension Board to consider it but would be ready for the Pension Committee on 17 July. The Chair said that it was important that Board Members had an opportunity to view and comment on the report prior to the 17 July so that he could relay their comments to the Committee.

5.3 Angie Embury (AE) and Councillor Brian Redman (BR) both commented whether it was worth delaying the strategy day until the Pension Committee had received more training, as three new members had been appointed following the 4 May local elections. Ola Owolabi (OO), Head of Accounts and Pensions, said that the new Members had already been provided with an induction session and the first half of the strategy day would involve providing Members with an overview of the investment landscape. The Chair agreed with the general principle that the Pension Committee should not take decisions without training beforehand.

5.4 The Board RESOLVED to note the report.

6 DRAFT PENSION FUND ANNUAL REPORT - 2016/17

6.1 The Board considered a report on the Draft Pension Fund Annual Report 2016/17.

6.2 OO confirmed that there had been three employers that submitted late pension contributions on 31 March 2017, and the total late payment amount was around £8,000. He added that none of the three were in arrears, nor had they submitted late payments in the past.

6.3 The Chair noted that although there has been a reduction in fees paid to investment managers, from a forecast of £8.8m to an actual outturn of £7.7m, the addition of fees deducted from source meant the overall amount paid to investment managers for 2016/17 had increased slightly. He also noted that it was not possible to give a forecast for fees deducted from source for 2017/18.

6.4 BR asked for a breakdown of the reasons for the 26 outstanding pension overpayments during 2016/17, which was a significantly higher amount than for 2015/16. Jason Bailey (JB), Pension Services Manager, explained that he suspected they were due to late notification of the death of a pensioner, which can result in difficulties in recovering money from the next of kin. JB said that Orbis was in discussions to use a mortality screener that would allow officers to scan the pension fund membership against the death register (GRI); this would be a free service. He clarified that there had been no change to the Pension Administration Team's procedure for paying pensioners, so the increase would not be due to procedural reasons.

6.5 Sue McHugh (SM), Employer representative, asked why there appeared to be a greater number of complaints against the East Sussex Pension Fund (ESPF) listed than had been reported to the Pension Board as part of its Key Performance Indicators (KPIs) update. JB explained that the true number of complaints was five or six (as reported to the Board) but the figure of 32 published in the Annual Report included negative feedback from a recent survey.

6.6 The Chair recommended that the 'Administrative Management Performance' section include some context to explain that the administration targets were changed to more appropriate targets in 2016, and that they are monitored on a quarterly basis by the Pension Board and Pension Committee.

Note – following the Board meeting, Brian Smith provided the Accounts and Pensions team with a revised KPI report to be included within the draft 2016/17 Pension Fund Annual Report, which negate the need for additional commentary.

6.7 The Board RESOLVED to:

- 1) note the report;
- 2) request a breakdown of the outstanding pension payments to be circulated to the Board by email; and
- 3) request a report for a future Board meeting on the results of the ESPF customer survey.

7 EXTERNAL ASSURANCE REPORT FROM THIRD PARTIES

7.1 The Board considered a report titled External Assurance Report from Third Parties.

7.2 SM queried whether Newton's external assurance report – mentioned in the Internal Audit report as outstanding – was still outstanding. OO confirmed that it has now been received as it had been handed to KPMG as part of the annual external audit of the ESPF Accounts.

7.3 The Chair asked what investment managers were asked to fill out in order to respond to the external assurance reports for third parties. OO said that an agreement about what information to provide, data requirement, and in what format, are included as part of the investment management agreement between the ESPF and its investment managers. This is provided by the fund managers' external auditors and covers detailed information about existing controls and procedures. This is in compliance with the Financial Conduct Authority (FCA) regulations.

7.4 The Board RESOLVED to note the report.

8 PENSION ADMINISTRATION STATEMENT

8.1 The Board considered a report about the draft Pension Administration Statement.

8.2 The Chair said it would be interesting to see how many employers respond to the Pension Administration Statement and what larger employers have to say about it, given that they are more likely to be interested due to their pension commitments.

8.3 SM confirmed that – as a representative of employers – she had been provided with an opportunity to comment on the draft Statement.

8.4 The Board RESOLVED to note the report.

9 MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID II) - UPDATE

9.1 The Board considered an update on the Markets in Financial Instruments Directive (MiFID II).

9.2 OO confirmed that LGPSs were still awaiting the outcome of the FCA ruling as to whether or not Local Government Pension Schemes (LGPSs) would be permitted to 'opt up' to 'professional client' status. He warned that if the FCA did not permit 'opting up' then it would require considerable change to how LGPS invest. The Local Government Association (LGA) is in the process of lobbying the FCA to reconsider its stance on the categorisation of LGPSs.

9.3 The Chair said that the MIFID II directives had been issued by the European Union but left to member nations to interpret and apply them nationally. He said it appeared the FCA was proposing to adopt them rigidly and without understanding nuances, as, given their size and powers to hire and fire investment managers, LGPSs were evidently professional clients. He cautioned that if the FCA did not appreciate this, and did not allow opting up, it would have a significant impact on pensioners. The Board agreed that the current proposal for LGPSs to be re-classified as retail clients was not in the interest of scheme members.

9.4 The Board RESOLVED to:

- 1) note the report; and
- 2) request a future update on MIFID II.

10 PENSION FUND RISK REGISTER

10.1 The Board considered the latest version of the Pension Fund Risk Register.

10.2 The Chair observed that the risk of ACCESS Chairs not agreeing on key decisions around asset pools, governance, etc., was always going to be a risk as the Chairs will not always agree with each other. The point is that the mitigations in the risk register are robust enough to ensure that the ESPF does not lose out should there be a considerable disagreement amongst ACCESS members. He added that effective decision making by the Chairs should

involve them challenging the proposed decisions they are asked to make, which will inevitably lead to disagreement.

10.3 Councillor Kevin Allen (KA) observed that ACCESS was appearing more regularly in agenda reports but not in its own right. He said that it was important that the Board developed a strong understanding of the issues involved, especially given that ACCESS is due to be in place by 1 April 2018.

10.4 The Board RESOLVED to:

- 1) note the report;
- 2) request that the September training day include a session on ACCESS; and
- 3) request a standing item on the Pension Board agenda about the progress of the ACCESS pool and any emerging risks.

11 LOCAL PENSION BOARD SURVEY

11.1 The Board considered its response to the Scheme Advisory Board's (SAB) Local Pension Board Survey.

11.2 The Chair said that he felt the East Sussex Pension Board had been set up well and had been well resourced since then, and so would appear as one of the better performing local pension boards once the survey results are published.

11.3 The Board RESOLVED to:

- 1) note the report;
- 2) agree a response to the Local Pension Board Survey; and
- 3) request to be sent by email the survey results once they are available.

Note – the agreed survey response will be attached as a supplement of the agenda.

12 GUARANTEED MINIMUM PENSIONS (GMPS) RECONCILIATION - UPDATE

12.1 The Board considered a report providing an update on the current status of the reconciliation of Guaranteed Minimum Pensions (GMP) between HM Revenue & Customs (HMRC) records and those of the ESPF.

12.2 JB confirmed that the fee for ITM to carry out the second stage of the GMP reconciliation was commercially sensitive but was a relatively small portion of the £120,000 budget the ESPF has put aside for 2017/18 for GMP reconciliation. The cost of ITM's services was lower than its market rivals, and other users had provided good feedback about the service ITM provides. Business Operations has negotiated with ITM on behalf of the six pension funds it provides administration services for, and is confident that the price is competitive. JB clarified that the first stage of the GMP reconciliation, completed by ITM, had cost £4,000.

12.3 The Chair expressed concern that there was still no indication as to the extent of the ESPF's liabilities. He also expressed concern that the administering authority was doing work that should be HMRC's responsibility and doubted whether the process would be complete by the deadline of December 2018, unless HMRC committed sufficient resources. The Chair noted that deadlines for completing the reconciliation process were now tighter than they had been at the completion of the first stage of the reconciliation. He also queried what other administering authorities were doing to reconcile their GMP records with HMRC's.

12.4 JB estimated that 60% of administering authorities had not yet commenced the second stage of the process. He explained that the response time for HMRC was about three months and the purpose of the proposed 'fast-tracked' ITM project was to get ahead of the potential

queue of administering authorities requesting records from HMRC. He said that a handful of administering authorities had gone through the second stage of the process but had not yet completed the third stage of rectification, and so had not published the extent of their liabilities – although they would likely do so within the next 12 months.

12.5 BR said that he was relieved that the cost of the second stage was less than the allocated budget. However, he expressed concern about the progress of the reconciliation process since the Pension Board last considered it in February 2016, given the potentially significant financial liability GMP could impose on the ESPF. He asked whether the potential budget of £500,000, identified by the consultancy firm AON during a previous pension training session, was realistic.

12.6 JB said that further work would be required both to complete Stage 2 and also to carry out Stage 3 (rectification) but he expected the overall costs to be well under £ 500,000. He accepted that the reconciliation process was not as far along as hoped, due in part to the delays in the publication of the Norfolk framework for LGPS pensions administration support services, and the subsequent decision by the framework team to remove the pricing catalogue. However, he remained confident that there was more than enough time to complete the process before the end of 2018.

12.7 Tony Watson (TW) asked whether individual pensioners would face any liabilities should the GMP reconciliation result in them having received an overpayment. JB clarified that the Treasury's advice was that if an individual pensioner has been overpaid that their pension is corrected going forward, but not recovered in arrears. He added that there is no statutory basis for pension funds not to pay underpayments and the Treasury advises that back pay is received from the day the GMP miscalculation was made. TW said that the ESPF should bear the cost of any pensioners' arrears.

12.8 SM asked whether officers were confident that the project management of the second stage of the GMP reconciliation is robust. JB said that Business Operations was looking at the viability of appointing an interim project manager to oversee the project. He confirmed that they would not be employed on a consultant's rate.

12.9 The Chair summarised that the Board was disappointed that it had not received more updates on the progress of the GMP reconciliation, but that the Board agreed with the proposals to move the project forward and wanted to be kept well informed of future progress.

12.10 The Board RESOLVED to:

1) note the report;

2) to recommend to the Pension Committee that, in the interests of moving the GMP reconciliation project forward, it endorses the officer action taken to have ITM conduct a 2 month project to reconcile and submit queries to HMRC;

3) to request regular updates on the progress of the second stage of the GMP reconciliation, to include ITM's progress reports, and a full report when the GMP liability of the ESPF is known.

13 OFFICERS' REPORT - BUSINESS OPERATIONS

13.1 The Board considered an update from Business Operations.

13.2 JB clarified that the online Annual Benefits Statement system is robust and uses the same calculations, and the same information from employers, that Pension Administration Team uses to calculate benefits. The system relies on the primary input being correct and there are the appropriate waivers in place to inform employers when they submit the information.

13.3 The Board RESOLVED to note the report.

14 OFFICERS' REPORT - GENERAL UPDATE

14.1 The Board considered a general update on pension fund business.

14.2 The Board RESOLVED to note the report.

15 WORK PROGRAMME

15.1 The Board considered a report about its work programme.

15.2 The Board RESOLVED to note the report subject to the inclusion of the additional reports and training agreed during the course of the 26 June meeting.

The meeting ended at 12.40 pm.

Richard Harbord
Chair

Report to: Pension Board

Date of meeting: 3 August 2017

By: Chief Operating Officer

Title: Pension Committee Agenda

Purpose: To consider and comment on the draft agenda of the 4 September Pension Committee meeting

RECOMMENDATION

The Board is recommended to consider and comment on the draft agenda for the 4 September 2017 Pension Committee meeting.

1. Background

1.1 The draft agenda for the 4 September 2017 Pension Committee is presented to the Pension Board for information. Several of the items for consideration by the Committee are also due to be considered by the Board.

1.2 If Board members have any specific comments on any of these reports that they wish to be communicated to the Pension Committee, then they can do so. In any case, the draft Pension Board minutes will be circulated to Pension Committee members at or in advance of the forthcoming committee meeting.

2. Conclusion and recommendation

2.1 The Board is recommended to consider and comment on the draft agenda for the 4 September 2017 Pension Committee meeting.

KEVIN FOSTER
Chief Operating Officer

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Background Documents
None

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PENSION COMMITTEE

MONDAY, 4 SEPTEMBER 2017

10.00 AM COMMITTEE ROOM, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Richard Stogdon (Chair)
Councillors David Tutt, Simon Elford, Gerard Fox, Stuart Earl

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 Petition – Disinvest from fossil fuels
- 7 Fund Performance – Ruffer LLP
- 8 Quarterly Performance Report - Hymans Robertson.....*to follow*
 - Environmental, Social, Governance updates
- 9 LGPS Pool - ACCESS update
- 10 Passive Investment Framework.....*to follow*
- 11 MIFID II - Update
- 12 Officers' Report - Business Operations
- 13 Officers' Report - General Update
- 14 Forward Plan
- 15 Any other items previously notified under agenda item 4

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24 August 2017

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DRAFT

Report to: **Pension Committee**

Date: **4 September 2017**

By: **Chief Finance Officer**

Title of report: **Petition relating to divest East Sussex Pension Fund from Fossil Fuels**

Purpose of report: **To consider the receipt of a petition relating to the divestment of East Sussex Pension Fund investment from Fossil Fuels.**

RECOMMENDATION -

The Committee is recommended to consider the report.

1. Background

1.1 The Council has received a petition headed '*Divest East Sussex Pension Fund from Fossil Fuels*'. The petition contains approximately 1,663 signatures and was presented to the Chairman at Full Council on 23 May 2017 (Appendix 1). The wording of the petition is as follows:

"We the undersigned call on East Sussex County Council to follow their lead and divest the East Sussex Pension Fund from its holding in fossil fuel companies."

1.2 In addition, Lewes Town Council recently considered a motion put forward by a Member which promoted the principles of divestment from any financial vehicles which engaged with fossil fuels and related industry. The minute related to this debate and the subsequent resolutions (Appendix 2) is seeking that this be brought to the attention of the Pensions Committee and Board.

1.3 The Pension Committee is responsible for deciding East Sussex Pension Fund ('the Fund') investment policy and is therefore the appropriate body to consider this petition. The Pension Board assists the Pension Committee in its work and so is also able to consider the petition and submit any comments to the Committee.

2. Proposals and Details

2.1 Institutional investors generally and Local Government Pension Funds in particular are facing increasing scrutiny of their investments in companies involved in the extraction and trading of fossil fuels (e.g. oil, coal and gas). This follows increasing public awareness of the issues of climate change and global warming, along with their associated economic and environmental impacts.

2.2 Locally, some ESCC fund members have aligned themselves with national campaigns seeking to persuade Pension Fund managers to disinvest in companies in the fossil fuel sector. Campaigns of this nature have typically provided a common narrative for individuals or organisations to use when approaching pension funds. The LGPS has also received many direct approaches from various groups on this issue. In April 2016, for example, Hastings Borough Council passed a unanimous fossil fuel divestment motion.

3. The Fund's approach to ethical investments

3.1 The current investment strategy of the Fund is detailed in the Investment Strategy Statement (ISS) approved by the Pension Committee on 27 February 2017. Our approach is broadly in line with that of other LGPS funds, i.e., to secure the best realistic return over the long-term; to meet pension commitments, within an acceptable level of risk, by ensuring there is diversification across all asset classes; and to keep employer contribution rates stable. The Fund pursues this strategy by appointing expert specialist investment managers who are given an unconstrained ability to invest within their individual mandates.

3.2 The ISS also details how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. The Fund has chosen to permit its investment managers to adopt a policy of socially responsible

investment, providing that they treat the financial interests of scheme members as paramount and their investment policies are consistent with the standards of care and prudence required by law.

3.3 The Fund requires its investment managers to be active in their constructive shareholder engagement with companies regarding socially responsible investment issues; the proactive engagement of fund managers with these companies has been shown to influence positive change. The Fund did not to interfere in the day-to-day investment decisions of the Fund's investment managers, and chooses not to actively invest or disinvest from companies solely or largely for social, ethical or environmental reasons.

3.4 From the Fund's perspective, simply disinvesting from a particular category or group of companies is likely to reduce the Fund's ability to secure the best realistic return over the long-term whilst keeping employer contributions as low as possible. Furthermore, it denies the opportunity for the Fund to influence companies' environmental, human rights and other policies by positive use of shareholder power, a role the Fund takes very seriously. The Fund has reserved the right to apply ethical or environmental criteria to investments where relevant and appropriate on a case by case basis.

4. Local Authority Pension Fund Forum

4.1 The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is a coalition of over 68 LGPS Funds that engages directly with companies on behalf of their member funds. LAPFF actively considers the question of environmental, social and governance (ESG) investments, and in particular issues relating to: labour practices, wage equality, the arms trade, tobacco and the environmental impact of major oil companies.

4.2 The East Sussex Fund currently addresses ESG and ethical investment issues both at a fund level and collectively through LAPFF. The Fund believes active engagement with investee companies is the best way to bring about desirable change whilst managing overall investment risk issues. The approach of direct and collaborative engagement contrasts with the approach of blanket divestment advocated by the campaigners. Once an asset owner divests, their ability to influence both the short and long-term direction of individual companies and the national and international energy sector is severely curtailed.

5. Conclusion and recommendations

5.1 The cornerstone of the Fund's policy on ethical investment – as set out in its ISS – is its interpretation of the Fund fiduciary duty and legal position regarding its duty towards ethical investment. The Committee does take into account ethical, environmental, governance and other non-commercial policies when considering investments generally and when selecting fund managers. The Fund should continue to seek to use its influence as a corporate investor to positively influence companies' behaviour and reserves the right to apply ethical or environmental criteria on a case by case basis where relevant and appropriate. This approach is considered the best way to bring about positive change whilst securing the best realistic return over the long-term to meet the Fund's future commitments to beneficiaries whilst keeping employer contributions as low as possible.

IAN GUTSELL

Chief Finance Officer

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BACKGROUND DOCUMENTS

None

APPENDIX A

Appendix 3

Can we discuss
✓Ken

Governance Services
Democratic Services

MEMORANDUM

TO: Chief Operating Officer
FROM: Assistant Chief Executive, Governance Services
DATE: 23 May 2017

Petition presented at County Council on 23 May 2017

The following petition was presented to the Chairman before the Council meeting today (I will forward the hard copy to Robyn):

Councillor O'Keeffe

Calling on the County Council to divest the East Sussex Pension Fund from fossil fuels

Can you let me know as soon as possible please what action you propose to take on the petition. If a report to the Lead Member for Resources or the Pension Committee is appropriate I will notify the lead petitioner and relevant Members to let them know what is happening and which meeting they will be invited to attend. If that is not appropriate, and you write to the lead petitioner and relevant Member to explain the situation, please could you copy me in.

Thank you for your help.

Kind regards



Simon Bailey
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From: Steve Brigden [<mailto:TownClerk@lewes-tc.gov.uk>]
Sent: 01 June 2017 10:25
To: Wendy Neller
Subject: Lewes Town Council submission re fossil fuel related investments

Dear ,

Lewes Town Council recently considered a motion put forward by a Member which promoted the principles of divestment from any financial vehicles which engaged with fossil fuels and related industry.

The minute related to this debate and the subsequent resolutions is copied below, and my Council asks that this be brought to the attention of the Pensions Committee and Board.

Thank you for your kind assistance.

Regards; Steve Brigden

Minute ref. **FC2016/93** **ESCC FOSSIL FUEL DIVESTMENT:**

Members considered a motion NOM010/2016 (*copy in minute book*) proposing that the Council call on administrators of the East Sussex Local Government Pension Fund to divest from fossil fuels. The proposal stated that investing in fossil fuels is financially risky. Many establishment figures are warning that fossil fuels could become the sub-prime assets of the future. The Governor of the Bank of England had warned that the vast majority of reserves are likely to be unburnable and had launched a major enquiry into this risk. Similarly, the President and the former Chief Economist of the World Bank and the UN's top climate change official had issued warnings that investments in fossil fuels could suffer dramatic losses in value. In 2015 HSBC advised its clients against investing in fossil fuel companies on the grounds that they will become “economically unviable.”

It was stated that divestment removes exposure to these financial risks and sends a strong message to politicians and the industry that urgent change was needed as to how energy is generated and used. Organisations that had already joined a United Nations-backed divestment campaign include: the cities of Oslo, Seattle, San Francisco and Oxford; Glasgow University; the British Medical Association; the Rockefeller Brothers Fund; the World Council of Churches and the Quaker movement. More locally, Hastings Borough Council had passed a motion in favour of responsible investment and calling upon the ESCC Pension Fund to divest.

It was noted that a similar proposal had been submitted to the Pension Board in 2016 and that the Board had offered assurances that the issue of ethical investment for local government pension schemes was taken seriously, provided that divestment in such a manner did not interfere with the authority's fiduciary duties.

After some discussion **it was resolved that:**

FC2016/100.1 Lewes Town Council will call on both East Sussex County Council and East Sussex Pension Fund to divest from fossil fuels by developing and adopting responsible investment policies that take into account climate change by divesting from fossil fuel-based funds.

FC2016/100.2 Lewes Town Council will work with other District and town councils in East Sussex to lobby the ESCC Pension Fund Committee to adopt responsible investment policies.

FC2016/100.3 Lewes Town Council makes the following statement:

“Lewes Town Council supports a responsible investment policy that addresses serious climate change concerns by divesting from any funds that include fossil fuel public



equities and corporate bonds within 5 years. It is concerned that the East Sussex Pension Fund in which LTC members of staff are enrolled has yet to address such a policy that would minimise climate change risk and reduce the council's carbon footprint.”.

Steve Brigden
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Report to: **Pension Board**

Date of meeting: **3 August 2017**

By: **Chief Finance Officer**

Title: **General Data Protection Regulation (GDPR)**

Purpose: **This report provides the Board with an update on the General Data Protection Regulation (GDPR), a legal framework proposed by the European Commission**

RECOMMENDATION

The Board is recommended to note the EU's General Data Protection Regulation (GDPR) framework requirements.

1. Background

1.1 The EU's General Data Protection Regulation (GDPR) is a legal framework first proposed by the European Commission in January 2012 with the aim of boosting online privacy rights and strengthening the digital economy in the European Union. This was in response to how both globalisation and technological change have impacted how data is collected, stored, shared and transferred.

1.2 The General Data Protection Regulation (GDPR) will come into force in all EU Member States on 25 May 2018. The UK will still be a Member State of the EU on 25 May 2018 and is likely to retain the GDPR following Brexit. The GDPR does not mark a radical departure from the current data protection regime (i.e. in the UK under the Data Protection Act 1998 (DPA)). There are, however, certain key changes that will focus attention in the pensions industry. The GDPR contains key developments that members, employers and the pensions industry will need to grapple with.

2. What are the key changes for Pension Fund under the GDPR?

2.1 Pension schemes necessarily hold and process significant amounts of personal data relating to members. As a matter of good governance, it is important that member data is safeguarded. There is already a legal obligation on LGPS fund Administering Authorities to keep member data secure, but new legislation will have a significant impact on the obligations of Administering Authorities and the potential financial penalties if they get it wrong.

2.2 Some of the key areas covered by GDPR are as follows:

	Key Changes	Description
i	Stricter requirements around consent	The fund must be able to demonstrate that individuals have explicitly consented to the processing of their data. The regulations allow consent to be withdrawn by the individual at any time. So consideration should be given to, for example, whether consent is deemed explicit or given where an individual signs up to being a member of a pension scheme. This includes information about their spouse and dependents and where members have opted out through auto-enrolment.
ii	Privacy notices on use of data	Privacy notices provided to members detailing how their data will be used must now include information such as: <ul style="list-style-type: none">• the purpose for which the data processing is intended• the recipients of the personal data• the period which the data will be stored

		<ul style="list-style-type: none"> the various rights members have in respect of the information. <p>Any communications must be easy to understand clear and plain language. Consideration will need to be given to what is included in these notices to members.</p>
iii	Right to be forgotten	Members can request the complete erasure of personal data in certain circumstances such as where the data is no longer necessary for the purpose it was collected.
iv	Relevant and necessary	Information must be relevant and not kept for longer than is necessary. Pension schemes will typically keep information for decades and the fund will need to consider whether this is still appropriate, for example where a member has transferred out of a scheme.
v	Data processing contracts	Detailed contracts must be in place between the fund and data processors, such as scheme administrators and other service providers, which will need to comply with GDPR when it comes into force. Fund may need to amend the terms of existing contracts as well as ensuring new contracts will be compliant.
vi	Reporting data breaches	Personal data breaches must be notified to the Information Commissioners Office within 72 hours of having become aware of a breach. The member must also be notified if the breach is likely to result in a high risk to the member.
vii	Data protection impact assessments	Where systems changes are planned and the processing of data is considered 'high risk', an assessment of the impact of the planned processing on the protection of personal data must be carried out.
viii	Increased record keeping obligations	The fund must ensure records are maintained to show how they comply with GDPR.

3. Next steps

3.1 The Pension Fund need to consider how these new requirements apply to our existing arrangements and put a plan in place to ensure that they are compliant by 25 May 2018. This should include considering any information that may be held by members, employers, outsourced providers, and advisors.

3.2 The Head of Pensions will be consulting Business Operations - Orbis, to demonstrate compliance with the GDPR in relation to ESPF and to show in a meaningful way that both the overall governance structure for data protection compliance and the individual policies and procedures relating to data processing are compliant.

4. Conclusion and reasons for recommendations

4.1 The Board is recommended to note the European Union's new General Data Protection Regulation (GDPR), which will be enforced by 25 May 2018.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ola Owolabi, Head of Pensions
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Background Documents
None

Report to: Pension Board

Date of meeting: 3 August 2017

By: Chief Finance Officer

Title: Governance Policy Statement

Purpose: The Local Government Pension Scheme Regulations provides the statutory framework from which the Administering Authority is required to prepare a Fund Governance Policy Statement.

RECOMMENDATION

The Pension Board is recommended to note the updated Governance Policy Statement

1. Background

1.1 Local authority pension funds are required to publish and keep under review a Governance Policy Statement. The Public Services Pensions Act 2013 (The Act) introduces a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.

1.2 Under the regulation, all LGPS Funds in England and Wales are required to produce a Governance Compliance/Policy Statement, revise it following any material change in their delegation arrangements and publish it.

2. Regulatory Requirement of the Governance Compliance Statement

2.1 The relevant regulation requiring this statement is Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended). The Governance Compliance Statement must include the following information:

- The delegation arrangements (from the administering authority to a Committee and/or officers);
- The frequency of any meetings, terms of reference, structure and operational procedures of the delegation;
- Whether the Board/Committee includes representatives of employing authorities (including non LGPS employers) and members.

The Statement must include details of the terms, structure and operational procedures relating to the Local Pension Board.

2.2 The Public Services Pensions Act 2013 introduces the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the Pensions Regulator. The Regulator is required to issue one or more codes of practice, covering specific matters relating to public service pension schemes. The codes of practice set out the legal requirements for public sector pension schemes in respect of those specific matters.

2.3 The Code of Practice number 14 (the Code) sets out practical guidance and standards of conduct and practice expected of those who exercise functions with regard to the governance and administration of public sector pension schemes. The Code consists of four parts:

- Governing the scheme

- Managing risks;
- Administration;
- Resolving issues.

3. Conclusion and reasons for recommendations

3.1 The Board is recommended to note the amendments to the Governance Policy Statement, which will further strengthen the Pension Fund governance structure as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

IAN GUTSELL
Chief Finance Officer

Contact Officers: Ola Owolabi, Head of Pensions, 01273 482017
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Background Documents

None

EAST SUSSEX PENSION FUND

GOVERNANCE POLICY STATEMENT

August 2017

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Governance Policy Statement

Introduction

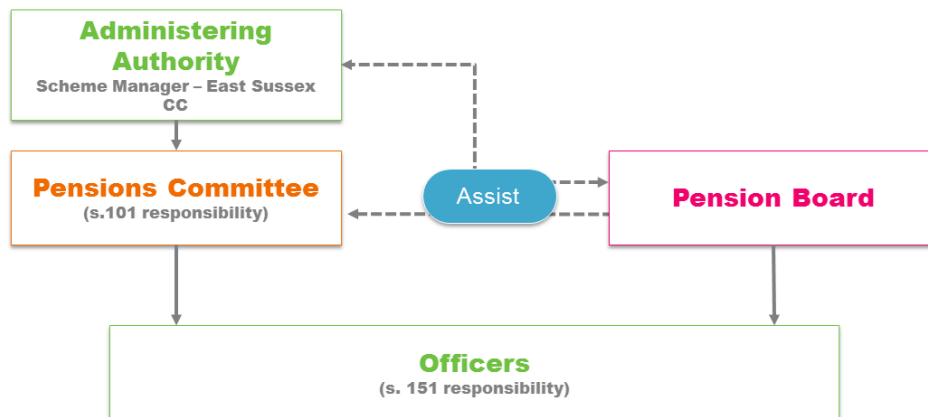
1. This is the Governance Policy Statement of the East Sussex Pension Fund, which is managed by East Sussex County Council, the Administering Authority (Scheme Manager) on behalf of all the relevant employer bodies in the Fund. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.
2. The Governance Compliance Statement of the East Sussex Pension Fund is comprised from the Compliance to Statutory Guidance Statement and a Governance Policy Statement. The Public Services Pensions Act 2013 (The Act) introduces a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.
3. As a result of the Act, The Pensions Regulator has introduced codes of practice covering specific areas relating to public sector pension schemes. The changes to the LGPS regulations and introduction of the Pensions Regulator code of practice 14 and changes in the Scheme of Delegation approved by County Council on 14 October 2014 require revisions to the existing East Sussex Pension Fund Governance Compliance Statement.
4. As Administering Authority, East Sussex County Council is the designated statutory body responsible for administering the East Sussex Pension Fund on behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The Local Government Pension Scheme Regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

Governance of East Sussex Pension Fund

5. East Sussex County Council operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of the pensions of all employees of the Council (except teachers), including the approval of the pension fund admission agreements. It also has authority for the management of the pension fund. The pension fund governance focuses on:
 - The effectiveness of the Pension Fund Committee, the Board and officers to which delegated function has been passed, including areas such as decision making processes, knowledge and competencies.
 - The establishment of policies and their implementation.
 - Clarity of areas of responsibility between officers and Pension Fund Committee/Board members.
 - The ability of the Pension Fund Committee/Board and officers to communicate clearly and regularly with all stakeholders.
 - The ability of the Pension Fund Committee/Board and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
 - The management of risks and internal controls to underpin the framework.

The Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Fund Committed.

The East Sussex Pension Fund



Responsibilities of the East Sussex Pension Board

6. To help to ensure that the East Sussex Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
7. To provide assistance to East Sussex County Council as the Administering Authority and the LGPS Scheme Manager in securing compliance with:
 - LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
 - requirements imposed in relation to the LGPS by the Pensions Regulator
 - the agreed investment strategy
 - any other matters as the LGPS regulations may specify.
8. The role of the Board will be oversight of these matters and not decision making.

Frequency of meetings of the East Sussex Pension Committee/Board.

9. The Pension Board meets at least 4 times a year. The full term of reference are publicly available as part of the County Council constitution.

Operational Procedures of the Pension Committee/Board.

10. The Pension Fund Committee/Board receives and reviews quarterly reports from all its Investment Fund Managers and the independent Investment Adviser, Hymans Robertson. The Committee/Board is also advised by an additional Independent Advisor. In addition, the Committee/Board is advised by the County Council's Chief Finance Officer (in their capacity as the Council's designated Treasurer). The Committee/Board also receives an annual report from the Fund's independent performance measurement provider which reviews the long-term performance of the

Fund and of each of the Investment Fund Managers in relation to their targets. The Committee also holds a separate Annual Strategy Meeting at which it reviews the overall investment strategy of the Fund.

11. To secure effective and efficient governance and administration of the LGPS for the East Sussex Pension Fund by:
 - Considering decisions taken by the Pensions Committee, or any identified issues raised by Board members and other relevant parties, and to ensure that appropriate procedures are carried out.
 - Retaining an overview of LGPS policy and strategy and performance information and the performance review timetable.
 - Making representations and recommendations to the Pensions Committee as appropriate.
 - Considering and responding to any SoS / Responsible Authority performance data concerning the local fund.

Membership of the Pension Board

12. In accordance with Regulation 107 of the LGPS Regulations 2014, a Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Council has taken into consideration number of factors including:
 - The size of the Council's existing Pension Fund governing arrangement and decision making process.
 - The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters;
 - The direct and indirect cost of establishing and operating the Board.
13. Composition of the East Sussex Pension Board - The Pension Board shall consist of 7 members as follows:
 - Employer representative x 3
 - Scheme member representative x 3
 - Independent Chair x 1

Membership of the Pension Committee

14. The County Council appoints five members to the Committee in accordance with political balance provisions. All members of the Committee have voting rights.
15. In relation to Pension Matters, the Committee consider directly all issues relating to pension administration, such as changes in benefit regulation, admission agreements, the Pension Fund Investments, etc.

Consultation with Employing Authorities

16. All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by newsletter. They are encouraged to get in touch if they have questions.
17. In addition to these electronic briefings, the East Sussex Fund holds an annual employers forum to which all admitted bodies of the Fund are invited. This annual meeting covers both actuarial and investment issues and always contains a presentation from the Fund's Actuary. The District Councils receive feedback from their representatives on the Pension Board and are also briefed on pension matters bi-monthly by the Fund's Treasurer at meetings of the East Sussex Financial Officers Association. Update briefings to these meetings are also circulated by email to all other employers in the East Sussex Pension Fund.
18. All employees receive periodic newsletter update on pension issues, especially on any changes affecting benefits. These updates are shared with all employers.
19. More detail on the approach to communication is covered in the separate Pension Fund Communication Statement.

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Delegation of Functions

The following functions are delegated by the Administering Authority:

Scheme Administration

Governance Principles: Effective committee delegation; appropriate accountability; rigorous supervision and monitoring

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, and provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

Delegated to:

Pension Fund Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

Funding

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS). The Pension Fund Committee shall be responsible for approving the FSS.

Delegated to:

Pension Fund Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

Investment

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Fund Committee shall be responsible for maintaining the Investment Strategy Statement (ISS).

Delegated to:

Pension Fund Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

Communications

Governance Principle: Effective information flow; written plan policies

Including setting of a communication strategy, issuing of benefit statements, annual newsletters, and annual report. The Pension Fund Committee shall be responsible for maintaining the Communications Policy.

Delegated to:

Pension Fund Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

Risk Management

Governance Principle: Effective committee delegation; appropriate accountability; written plan policies

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Fund Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

Delegated to:

Pension Fund Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

Terms of Reference and Decision Making

Terms of Reference:

Governance Principle: Effective board delegation; written plan policies

The Pension Fund Committee Terms of Reference as approved by Full Council on 24 March 2015 are shown in **Appendix A** to this document.

Administration, Funding, Investment, Communications and Risk Management

In line with the Council's Constitution, the Pension Fund Committee shall oversee Pension Fund administration, funding, investment, communication, risk management and the overall governance process surrounding the Fund.

Structure of the Pension Fund Committee and representation:

Governance Principle: Effective committee delegation

The Pension Fund Committee shall be made up of:

5 County Councillors appointed by the Governance committee according to the political makeup of the council including the chairman. Decision making quorum of 3 members.

Decision Making:

Governance Principle: Effective committee delegation; rigorous supervision and monitoring

The Pension Fund Committee shall have full decision-making powers.

Each member of the Pension Fund Committee shall have full voting rights.

Operational Procedures

Frequency of Meetings:

Governance Principle: Effective board delegation; effective information flow

The Pension Fund Committee shall meet quarterly. The Pension Fund Committee shall receive full reports upon all necessary matters as decided by the Chief Finance Officer, and any matters requested by members of the Pension Fund Board. Provision exists for the calling of special meetings if circumstances demand.

Competencies, Knowledge and Understanding:

Governance Principle: Effective board delegation; appropriate accountability

Officers and Members of the Pension Fund Committee shall undertake training to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. It is recommended that such knowledge, understanding and competency are evaluated on an annual basis to identify any training or educational needs of the Officers and the Pension Fund Committee.

Reporting and Monitoring:

Governance Principle: Rigorous supervision and monitoring; effective information flow

i) Pension Board

The Pension Board is established by the administering authority to assist in securing compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the scheme, and any requirements imposed by the Pensions Regulator.

The Pension Fund Committee shall:

- Provide the Pension Board with adequate resources to fulfil its role.
- Consider and respond to reports from the Pension Board within a reasonable period of time.

The Pension Board

The role of the Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, is to assist the Administering Authority:

- to secure compliance with:
 - i) The scheme regulations;
 - ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
 - iii) any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.
- to ensure the effective and efficient governance and administration of the LGPS Scheme.

Terms, Structure and Operational Procedures

The Pension Board's Terms of Reference as approved by Full Council on 24 March 2015 are shown in **Appendix B** to this document.

Review of Governance Policy Statement

Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually. This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

Pension Committee terms of reference and membership

1. In accordance with the Local Government Pension Scheme Regulations and associated legislation, to exercise functions and responsibilities for dealing with the Pension Fund in conjunction with other bodies who contribute to the Fund.
2. To exercise the powers and duties of the County Council in respect of:
 - the pensions of all employees of the Council (except teachers), including the approval of pension fund admission agreements; and
 - management of the investment of the pension fund, receiving advice as appropriate from the Pension Board.
3. To make arrangements for the investment, administration and management of the Pension Fund.
4. To arrange for the appointment of investment managers and advisors.
5. To agree Policy Statements as required under the Local Government Pension Scheme regulations.
6. To agree the Investment Strategy having regard to the advice of the Fund's Managers and the Pension Board.
7. To set the Investment Policy and review the performance of the Pension Fund's external investment managers.
8. To determine the fund management arrangements and to appoint fund managers and fund advisers.
9. To decide on the admission and cessation of bodies to the Pension Fund.
10. To consider and agree actuarial variations.
11. To ensure that the Pension Fund administration is conducted in accordance with relevant legislation.
12. To appoint Additional Voluntary Contribution providers and to monitor their performance.

Membership

Five members appointed in accordance with political balance provisions.

Constitution and terms of reference of the East Sussex Pension Board

1. Introduction

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

2. Objectives of the Pension Board

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

3. Management and operation of the Pension Board

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

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

4. Membership - composition of the Pension Board

4.1 The Pension Board shall consist of:

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

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

5. Appointment of members of the Pension Board

5.1 The appointment process has been approved by the Governance committee

5.2 All appointments to the Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair and Vice Chair.

6. Term of office

6.1 The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.

- 6.2 A Board member who wishes to resign shall submit their resignation in writing to the Pension Board Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.
- 6.3 The role of the Pension Board members requires the highest standards of conduct and the Code of Conduct of the East Sussex County Council will apply to the Board's members. The County Council's Standards Committee will monitor and act in relation to the application of the Code.
- 6.4 Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member, which will be in accordance with the Code of Conduct of the East Sussex County Council.

7. Independent Chair

- 7.1 The Independent Chair will be the independent member appointed for a term of 4 years by Governance Committee or such time as resolved by the Governance Committee. A job description approved by the Committee will be used to identify the candidate best suited to the role.
- 7.2 It will be the role of the Chair to -
- Settle with officers the agenda for a meeting of the Board
 - Manage the meetings to ensure that the business of the meeting is completed
 - Ensure that all members of the Board show due respect for process and that all views are fully heard and considered
 - Strive as far as possible to achieve a consensus as an outcome
 - Ensure that the actions and rationale for decisions taken are clear and properly recorded.
- 7.3 Removal of the independent chair will be in accordance with the Code of Conduct of the East Sussex County Council and the County Council's Standards Committee decision.

8. Support arrangements

- 8.1 ESCC will provide secretariat, administrative and professional support to the Pension Board and as such will ensure that:
- meetings are timetabled for at least four times per year
 - adequate facilities are available to hold meetings
 - an annual schedule of meetings is produced
 - suitable arrangements are in place to hold additional meetings if required papers are distributed 7 days before each meeting except in exceptional circumstances
 - minutes of each meeting are normally circulated 7 working days following each meeting.

9. Expert advice and information

- 9.1 The Board will have access to professional advice and support provided by officers of East Sussex Pension Fund and, via them and where appropriate, advisers to the East Sussex Pension Fund.
- 9.2 Insofar as it relates to its role, the Pension Board may also:
- request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund

- examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
- access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major decisions, i.e., investment strategy, triennial valuation, etc.,
- access to professional advice regarding non major decisions will require the approval of the Pension Committee for additional resources.

10. Knowledge and Skills

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

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

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

11. Minutes

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

12. Standards of Conduct

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

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

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

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

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

14. Expense reimbursement, remuneration and allowances

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

15. Accountability

15.1 The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the National Scheme

Advisory Board. The National Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the DCLG) and the Scheme Manager (in this case East Sussex County Council). The Pensions Regulator will report to the Responsible Authority (again, DCLG) but will also be a point of escalation for whistle blowing or similar issues.

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

16. Decision Making Process

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

17. Attendance and quorum

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

18. Conflicts of Interest

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

Report to: Pension Board

Date of meeting: 3 August 2017

By: Chief Finance Officer

Title: Markets in Financial Instruments Directive (MiFID II) update

Purpose: This report provides Members with an update on MiFID II, a framework of European legislation governing investment firms providing certain investment services to clients.

RECOMMENDATIONS - The Board is recommended to -

- 1. note the Markets in Financial Instruments Directive (MiFID II) updates.**
 - 2. recommend to the Pension Committee that officers are authorised, in consultation with the Chair, to progress the necessary actions aimed at achieving elective professional status for the Fund with effect from 3 January 2018.**
-

1. Background

1.1 The Markets in Financial Instruments Directive (MiFID) is the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.

1.2 The Financial Conduct Authority (FCA) has now issued its final policy statement setting out the rules for implementation of the Markets in Financial Instruments Directive (MiFID II), effective from **3 January 2018**.

1.3 A key change is that there is now greater clarity in the "opt-up" criteria that is expected to make it easier for local authorities administering Local Government Pension Scheme (LGPS) pension funds to elect to be treated as "professional" (rather than "retail") clients. Based on dialogue including both the FCA and the Local Government Association (LGA) the expectation is that post Brexit, arrangements similar to those contained within MiFID II will continue to apply throughout the United Kingdom albeit in a form of UK legislation as opposed to EU Directives. As a consequence, exiting the EU is not thought to alter the Fund's obligation to comply with requirements of this nature.

2. Markets in Financial Instruments Directive (MiFID II)

2.1 Under MiFID II, UK local authorities will be re-classified as "retail" clients as opposed to their current classification of "professional" clients. If the local authority retains the retail client classification, they will be restricted in the investment managers they can use and the investments they can make as there are fewer investment managers permitted to deal with retail clients and certain investments are not deemed suitable for retail clients.

2.2 There is an option for local authorities to opt-up to "elective professional" client status with individual asset managers in order to continue 'complex' investments. This procedure will include both a qualitative and quantitative test to be assessed by the asset manager. It is proposed that the opt-up criteria will be applied separately for local authorities depending on the capacity in which they are acting (i.e. either as treasury managers or as pension fund administrators).

3. Opting up to elected professional status

3.1 It will be possible for Funds to "opt up" to elective professional status, and thereby attain similar status under MiFID II that prevailed under MiFID I. In order to complete the opt up process the FCA has proposed, consulted upon, and subsequently finalised their criteria for clients wishing

to opt up from retail to elective professional status. These are set out below and highlight expanded policy wording and changes to the quantitative tests.

	Original	Final	Comment
Qualitative Assessment	To be undertaken by Investment Managers	To be undertaken by Investment Managers	expanded policy **
Quantitative Tests *	A £15m cash deposits B 10 transactions per quarter C Client experience	A £10m cash deposits B 10 transactions per quarter C Client experience D LGPS Fund	reduction new test

Notes

* Funds are required to pass at least two of the quantitative test (one of which must be test A cash deposits).

** the final FCA policy includes the following wording:

“Firms [investment managers] may take a collective view of the expertise, experience and knowledge of committee members, taking into account any assistance from authority officers and external advisers where it contributes to the expertise, experience and knowledge of those making the decisions.”

3.2 The original proposals gave cause for concern that “opting up” may be problematic. Whilst most LGPS Funds would have passed the £15m cash deposit threshold, few (including East Sussex) would have completed 10 transactions per quarter (as the Fund does not manage money in house). The outcome of this engagement is a revised set of criteria. Critically an additional test has been added which reflects the regulatory obligation an LGPS Fund has to take advice when making investment decisions. Furthermore the expanded policy wording in relation to the qualitative assessment reinforces this point. In addition to lowering the cash deposit threshold from £15m to £10m which will assist smaller Funds.

4. Next steps

4.1 The LGA, in consultation with the Investment Association, has developed a template designed to capture the information that an LGPS Fund will need to provide in order to demonstrate that it passes 2 of the 4 quantitative test and relevant background for Investment Managers to undertake the qualitative assessment. The relevant background is expected to include details of each Fund’s governance structure, committee membership & training arrangements along with officers and advisers who support the committee.

4.2 The template mentioned above will be consulted upon shortly. Funds, in liaison with each Investment Manager can then begin the process which enables the Fund to achieve elective professional status.

5. Conclusion and reasons for recommendations

5.1 Though the regulatory demands are yet to be finalised, LGA project will kick-start research designed to see how the information needed to satisfy MiFID II requirements can be standardised and, as a result, reduce the burden on councils.

5.2 The Board is recommended to:

1. note the Markets in Financial Instruments Directive (MiFID II) updates.
2. recommend to the Pension Committee that officers are authorised, in consultation with the Chair, to progress the necessary actions aimed at achieving elective professional status for the Fund with effect from 3 January 2018.

IAN GUTSELL
Chief Finance Officer

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Background Documents
None

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Report to: **Pension Board**

Date of meeting: **3 August 2017**

By: **Chief Finance Officer**

Title: **Local Government Pension Scheme (LGPS) Pooling - ACCESS updates**

Purpose: **To provide the Board with an update on the activities undertaken by the ACCESS Pool group**

RECOMMENDATION

The Board is recommended to consider and comment upon the activities undertaken by the ACCESS Pool.

1. Background

1.1 The East Sussex Pension Fund (ESPF) is a member of the ACCESS pool which is made up of eleven Shire Counties from the East, South East, and South of England. In its July 2016 submission to Government, ACCESS set out its plan to pool investments through a Collective Investment Vehicle (CIV) that would be administered and maintained by a third party operator. The operator would be collectively managed by the pension funds through a joint committee established by the Authorities and made up of one member from each authority.

1.2 The role of the operator is to manage collectively the assets of the ACCESS pool. The operator does this by setting up a collective investment scheme (CIS) which is a regulated vehicle under the Financial Securities and Markets Act 2000 (FSMA). Establishing or operating a CIS is a regulated activity requiring authorisation from the Financial Conduct Authority (FCA). The participants in the scheme i.e. the ACCESS Funds will share the profits or income in the sub-funds in which they are invested in through the CIS. However, the ACCESS funds will not have day-to-day control over the management of the assets; this will be the responsibility of the Operator as this is a regulated activity.

2. Governance

2.1 The inter-authority agreement establishes the Joint Committee (JC); the JC will be responsible for the following functions:

- Specifying the operator service to be procured;
- Procuring the operator;
- Appointing the operator;
- Reviewing the performance of the operator;
- Managing the operator; and
- Appointment of advisers.

2.2 The JC will be “hosted” by one of the ACCESS local authorities and will undertake the secretariat function for the JC. Kent County Council will be the initial host authority. The Chairmen of the ACCESS Pension Fund Committees have previously met on a shadow basis and has formally met for the first time as an established body on 31 July 2017 following the completion of the legal sealing of the IAA by all Funds. At this first meeting, a Chairman and Vice-Chairman will be appointed by the eleven ACCESS fund Chairmen.

2.3 In its shadow form the ACCESS Chairmen have met monthly supported by Fund officers. The East Sussex Pension Committee (PC) and Pension Board have been kept apprised of the ACCESS pool development and progress at its quarterly meetings.

2.4 The Pension Committee's future role will be to agree and approve the investment strategy for the Fund. However, the PC will no longer be able to appoint Fund managers directly and in the future this role will be undertaken by the Operator who will appoint the managers in consultation with the JC. The asset allocation requirements of each Fund will be implemented by the JC who will instruct the Operator via a client function, made up of Fund officers, to set up sub funds to meet the Funds' requirements. The Chair of the East Sussex Pension Committee will sit on the JC alongside the other ten Chairmen of the ACCESS Funds.

3. Operator Procurement

3.1 Kent County Council's procurement team is leading on the procurement of the Operator, supported by a number of ACCESS officers and Hymans Robertson. Squire Patton Boggs has been appointed to provide legal advice to ACCESS and are supporting officers in the drafting of tender and contract documents as well as providing advice on FCA regulations and procurement law.

3.2 To inform the procurement approach to be adopted, a concept viability day was held in April attended by ACCESS Fund Chairmen at which a number of operator providers also attended. The purpose of this meeting was to gain a better understanding of market coverage and experience and to inform certain gaps in the tender specification. Following this meeting the ACCESS Chairmen agreed that an open procurement process should be adopted as opposed to a competitive dialogue which is only used for complex procurements where the requirement is not fully known. The proposed procurement timetable is set out below:

Stage	Dates
Issue OJEU1 & ITT2	10 July 2017
Tender response deadline	21 August 2017
Tender evaluation period	22 August - 22 September 2017
Governance	25 September - 13 October 2017
Notification of award, pre-award meeting & contract construct	16 October – 31 October 2017
Contract signature	1 November 2017

3.3 The contract term will be for five years with the option to extend for a further two years. The expectation is that the appointed Operator will be able to get an FCA Authorised Contractual Scheme (ACS) umbrella structure established by the 1st April although transition of assets to the pool may not occur immediately.

3.4 In order to (a) reduce transition costs on the initial transfer of assets from individual administering funds into the ACCESS ACS and (b) retain a number of existing investment managers, it is anticipated that some or all of the initial set of ACS sub-funds will use investment managers currently contracted to ACCESS administering authority Funds. A detailed analysis of the areas of commonality between the existing investment managers and mandates will need to be undertaken. This will include an analysis of benchmarks for various asset classes and will inform for consideration by the JC the initial set of ACS sub-funds. A sub-fund will be created for each asset class and could be single or multi-manger depending on the requirements of the ACCESS funds.

3.5 This analysis has been commissioned from a third party and will be undertaken alongside the Operator procurement so that on contract award the appointed Operator will have a framework structure of sub-funds to set up. For the purpose of submitting tender bids, tenderers will be asked to submit bids based on two model portfolios with an estimated range of between 25 to 35 sub-funds.

4. Passive Procurement

4.1 The ACCESS pooling proposal submitted to Government in July last year set out an intention for a "quick win" from consolidating passive mandates with one single asset manager. Passive mandates are held in the form of a Life Policy between the administering authority and the appointed external investment manager and can't be pooled under an ACS structure. The total assets under passive management for ACCESS are £10.5bn

4.2 ACCESS has now commenced a “mini” tender process within this framework. The procurement process is due to be completed in September and the intention is to appoint a single provider to the ACCESS pool. A recommendation will be put to the JC for ratification at either its September meeting. Once the outcome of the tender is known, an analysis will be undertaken by officers to compare current provider fee arrangements to the successful bidder and if there are demonstrable savings and a clear value for money case then a recommendation will be made to this Committee to appoint the manager awarded the ACCESS passive contract.

5. Financial Implications

5.1 The costs incurred by the East Sussex Pension Fund up to the end of June 2017 were £20,875.90 for the ACCESS project; these costs include legal and project management fees but exclude officer time. The estimated implementation costs of establishing a CIV are estimated to be £50k per annum for the ESPF. Eventual savings for the ACCESS Pool are projected to be £30m annually. Allowing for investment growth of 3-5% per annum, by year 10 this will be equivalent to £40-50m.

6. Conclusion and reasons for recommendations

6.1 That the Pension Board notes the content of this report and the progress on pooling since the last report.

IAN GUTSELL
Chief Finance Officer

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Background Documents
None

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Report to: Pension Board

Date of meeting: 3 August 2017

By: Chief Finance Officer

Title: Review of Managers Fee Arrangements

Purpose: To note the Pension Fund costs relating to the East Sussex Pension Fund (ESPF) investment management fees

RECOMMENDATION

The Board is recommended to consider and note the Pension Fund costs relating to the East Sussex Pension Fund (ESPF) investment management fees

1. Background

1.1 There is a drive by administrative authorities to reduce costs, and some of the focus has been on investment managers who have struggled. However, the fund has been having ongoing discussion with every fund manager hired by the East Sussex Pension Fund (ESPF) to consider reducing the fees charged to the Fund.

2. ESPF Investment Manager fees

2.1 Fees paid to fund managers are often difficult to determine and there have been calls for greater transparency in how and how much - fund managers are paid and the various fees they charge individual pension fund schemes. While there are pressures on fund managers to reduce their charges in an environment of lower returns, comparisons are difficult because fees vary according to different investment strategies, and will sometimes not show up in published accounts, with disparities in the fees paid by the UK's local authority pension funds to their fund managers.

2.2 Over the last five years (Table 1), ESPF has paid £55.6m in fund manager fees; however, the fund value has increased by £1,271.3m over the same period.

Table 1.	2012/13	2013/14	2014/15	2015/16	2016/17
Investment Management Fees	£10.0m	£10.6m	£11.5m	£11.7m	£11.8m
Increases in fees	£0.8m	£0.6m	£0.9m	£0.2m	£0.1m
% Increases in fees	9%	6%	8%	2%	1%
ESPF Fund Value	£2.3b	£2.5b	£2.7b	£2.8b	£3.3b
Increases in value	£273.8m	£135.2m	£267.0m	£24.9m	£571.0m
% Increases in value	13%	9%	11%	1%	21%

Key: (m – Million; b – Billion)

2.3 Schemes which are able to reduce their investment costs – which compound over time, especially when assets swell – can get better value for their members and retain more of their funds.

3. 2016/17 Investment Strategy and Manager Fees

3.1 The total cost of investment manager fees in 2016/17 was £11.8m. In addition to the management fees invoiced to the Fund, this figure includes private equity and infrastructure fees which are deducted from the value of the assets. This is an increase of £0.1m on the £11.7m

cost in 2015/16, and may be considered in the context of the increase in the value of the fund during 2016/17, which increased in value by £571.0m.

4. Approaches to Managers

4.1 The ESPF has recently renegotiated fee arrangements with one of its fund managers (StateStreet) and this is expected to save the fund £0.137m over the year. Officer's view is that taking into consideration the funds long-term relationship with managers; we should attempt fees re-negotiation, even though the best opportunity for negotiation is before the manager is appointed. Officers continue to have ongoing dialogue with other fund managers in relation to our fee arrangements and believe that there is potential to get further reductions on fees.

4.2 The ESPF, along with other ACCESS members, negotiated a reduction of fees for its latest investment with one of our Private Equity managers (HarbourVest), which is expected to save the fund in the region of £0.140m per year over the next 14 years, the life of the investment.

5. Investment Pooling – Fee Rationalisation

5.1 A fundamental Government objective of asset pooling is the realisation of fee savings through collective mandates and rationalisation of Fund Managers. Following the establishment of asset pool groupings, fund managers are engaging with their client funds within each pool to consult on mandate and fee rationalisation. This is in recognition of government expectations of asset pooling and the ongoing discussions between fund managers and officers.

5.2 The willingness of many, but not all, existing managers to engage in fee discussions indicates that they now recognise the benefits to their business with the LGPS of early engagement and discussion on rationalisation. Initial discussions on rationalisation have indicated the potential for significant fee savings for the Fund, but are dependent upon agreement across multiple funds, where a fund manager has common ground, typically relating to three or four funds at a time.

5.3 The majority of managers do not require actual pooling of assets, but simply treating for fee purposes the aggregation of a number of the funds' holdings in a mandate to attain higher tier fee discounts which indicate the potential for significant savings. The key point is that these savings can be achieved almost immediately, subject to prompt action to gain the agreement with fellow funds and appropriate documentation being put in place.

5.4 Eventual savings for the ACCESS Pool are projected to be £30m annually. Allowing for investment growth of 3-5% per annum, by year 10 this will be equivalent to £40-50m.

6. Conclusion

6.1 In the light of the on-going consultation, pressures on fund managers to reduce their fees are growing and comparisons are difficult because fees vary according to different investment strategies. The observations are that fund managers are more likely to be open to reducing fees where the mandate is large, or opportunity to 'pool' investments with larger authorities.

IAN GUTSELL
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Background Documents
None

Report to: Pension Board

Date of meeting: 3 August 2017

By: Chief Operating Officer

Title: Update Report on Pensions Administration

Purpose: Update on current administration themes in relation to the service provided to the Pension Fund by Orbis Business Operations

RECOMMENDATIONS

The Board is recommended to 1) note the update on GMP reconciliation; and 2) consider the recommendation for the Pensions Committee on the use of a monthly mortality screening service

1 Introduction

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

2 Pension Overpayment

2.1 The Board requested further information regarding the reasons for the numbers of overpayments included in the draft Pension Fund Annual Report.

2.2 As indicated in the draft Annual Report, there were a total of 73 overpayment invoices raised in the 2016/17 year. 26 overpayments were still outstanding as at 31 March 2017 and were being pursued in line with the County Council's standard recovery procedure.

2.3 The reasons for the cause of the overpayments are as follows:-

- 60 cases – late notification of death of a pensioner
- 6 cases – late notification of end of entitlement to a child's pension
- 4 cases – late notification of re-employment of a member following
- 2 cases – overpaid pension debits (divorce proceedings)
- 1 case– overpayment in relation to Crombie compensation (historical Magistrates Courts case)

2.4 The principal cause for overpayments is the late notification of the death of a pensioner by the next of kin. This is understandable following a bereavement but does potentially lead to additional stress and inconvenience for the next of kin later down the line in handling an overpayment. In addition, additional resources are utilised by both the Pensions team and the Accounts Receivable team in handling the recovery process.

2.5 As part of a national exercise, LGPS funds have been provided with access to the Government's 'Tell Us Once' facility. This is a facility where an individual registering the death of a family member can choose to sign up to 'Tell Us Once' and LGPS funds would then be notified if the deceased member had benefits in their fund.

2.6 This is a useful development but is dependent on the family member who is registering the death signing up to the 'Tell Us Once' facility and there is no obligation to do so. 'Tell Us Once' does not therefore guarantee the same level of coverage as a monthly screening service which references the complete General Register Office database of reported deaths.

2.7 Business Operations has access to a monthly mortality service which screens the pensions payroll against the General Register Office (GRO) registration of deaths (updated weekly) immediately prior to the monthly pensions payroll cycle. This screening service is utilised by other funds administered by Business Operations and has proved successful in identifying deaths of scheme members which allows for the cessation of payments and consequently avoids the need to recover overpayments relating to the death of a pensioner based in the United Kingdom.

2.8 The annual cost of the screening service would be approximately £ 5,000 and the Board is asked to comment on the proposal to use this service which will be submitted to the Pensions Committee.

3 GMP reconciliation

3.1 At their meeting on 17 July, the Pensions Committee approved the modular approach to GMP reconciliation as set out in the previous paper presented to the Pensions Board.

3.2 Business Operations is awaiting the receipt of a complete data set from HMRC to enable the GMP reconciliation process to commence and this data is expected to be issued during the course of July. An update will be provided verbally at the meeting.

3.3 Business Operations has proposed a monthly update of the progress of the GMP reconciliation project from next month which will be provided to the Chair of the Pensions Committee and Board in the first instance. This is intended to provide assurance on the progress of this exercise being mindful of the deadline of December 2018 for the closure of HMRC's GMP service.

Kevin Foster
Chief Operating Officer

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Report to: Pension Board

Date of meeting: 3 August 2017

By: Chief Finance Officer

Title: Offers' Report – General Update

Purpose: To provide a general update to the Pension Board on matters related to the Board 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 (ESPF) invests any surplus cash with the Fund's custodian, Northern Trust. Over the past 5 years, the ESPF has been broadly cash flow 'neutral'. The projection for the fiscal year 2017/18 is that the fund will generate a surplus of £4.9m; 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 2016. Table 1 below shows the cash projection to 30 June 2017.

PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS

Employees Contributions

Employers Contributions

Deficit Recovery

Transfers In

TOTAL INCOME

Pensions Benefits Paid

Pensions Lump Sum Paid

Administration expenses

Transfers Out (excluding College transfer)

TOTAL EXPENDITURE

SURPLUS CASH

Original 2017/18 £m	Projected Outturn 2017/18 £m	Variance £m
28.4	31.2	2.8
82.2	89.4	7.2
14.1	13.2	(0.9)
8.8	9.4	0.6
133.5	143.2	9.7
(103.3)	(103.6)	(0.3)
(20.1)	(19.2)	0.9
(1.8)	(1.8)	-
(3.7)	(4.2)	(0.5)
(128.9)	(128.8)	0.1
4.9	14.4	9.8

3. National Development - updates

Local Government Pension Scheme pooling and Funds Collaboration

3.1. The ACCESS pool updates has been provided through a separate report to this meeting, covering a legally binding Inter Authority Agreement (“IAA”) for the pooling of investments, governance, procurement, joint committee inaugural meeting, timescales, etc.

4. Governance Effectiveness - Committee questionnaire

4.1 With the focus of the Pensions Regulator and others very much on the issue of good governance there is an increasing expectation that LGPS Funds take time to review the effectiveness of their governance arrangements. One Fundamental part of any LGPS fund’s success is how effective it’s Pension Committee and Pension Board is.

4.2 There is going to be an initial assessment through the Pension Committee (to be followed by the Board), with a short questionnaire (Appendix 1) designed to give an opportunity to both members and representatives to provide their views on some key areas of effectiveness.

5. Pension Board Agenda – 7 November 2017

5.1 The draft agenda for the November 2017 Pension Board meeting include the following

- Internal dispute resolution procedure
- Internal Control Register
- Risk register

6. Conclusion and reasons for recommendations

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

IAN GUTSELL
Chief Finance Officer

Contact Officers: Ola Owolabi, Head of Pensions, 01273 482017
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Background Documents
None

East Sussex Pension Fund Effectiveness

Maintaining Ongoing Governance Effectiveness

With the focus of the Pensions Regulator and others very much on the issue of good governance, there is an increasing expectation that LGPS funds take time to review the effectiveness of their governance arrangements.

One fundamental part of any LGPS fund's success is how effective its Pension Committee is. This short questionnaire is therefore designed to give members of the East Sussex Pension Fund Committee an opportunity to provide their views on some of the key areas of Committee effectiveness.

Completing the questionnaire

For each of the statements given please use the dropdown menus to indicate the response that best characterizes how you feel about the statement, according to the scale below;

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1	2	3	4	5

At the end of each category there is space for you to add any other comments you may wish to make.

Returning the Questionnaire

Please can you provide your name and date this questionnaire has been completed in the section below. Your comments will be treated as confidential and feedback will not be attributed to any particular individual.

Please email you responses directly to

RESPONDENT DETAILS

NAME	
DATE	

1 Committee structure and culture

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
	1	2	3	4	5
1.1 I understand my role and obligations under the LGPS Regulations and Committee's own terms of reference.	1	2	3	4	5
1.2 The Committee has sufficient time and resources available for the ongoing management of the Fund.	1	2	3	4	5
1.3 The current size of the Committee is about right	1	2	3	4	5
1.4 The distinction between the roles of elected members and officers is understood.	1	2	3	4	5
1.5 The Committee works effectively as a team	1	2	3	4	5
Additional Comments					

2 Management of Meetings

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
	1	2	3	4	5
2.1 The number of scheduled meetings is sufficient for the Committee to conduct its business	1	2	3	4	5
2.2 The Committee's agendas focus on the right topics to allow me to carry out my role.	1	2	3	4	5
2.3 Meetings are run such that there is sufficient time to discuss all the issues properly	1	2	3	4	5
2.4 Committee meetings are well managed and productive	1	2	3	4	5
2.5 Meetings are chaired in an even-handed manner, with all opinions being heard and consensus being sought	1	2	3	4	5
Additional Comments					

3 Knowledge and Training

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
		1	2	3	4	5
3.1	I have sufficient knowledge and understanding to enable me to properly discharge my duties as a Committee member.	1	2	3	4	5
3.2	I am familiar with the principles of the East Sussex Pension Fund's training strategy	1	2	3	4	5
3.3	There is sufficient time within meetings dedicated to gaining the appropriate knowledge and understanding?	1	2	3	4	5
3.4	The Committee receives appropriate briefings from officers and advisers on new developments	1	2	3	4	5
3.5	I am familiar with the objectives of the East Sussex Pension Fund	1	2	3	4	5
Additional Comments						

4 Risks and conflicts

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
		1	2	3	4	5
4.1	I am aware of the need to disclose any conflict of interest that arises	1	2	3	4	5
4.2	The Committee regularly sees the Fund's risk register	1	2	3	4	5
4.3	In meetings the distinction between "Fund business" and "Employer business" is clearly understood.	1	2	3	4	5
4.4	I am confident that the Fund is managing risk appropriately	1	2	3	4	5
4.5	If I suspected a breach of the law, I would know the proper process to follow.	1	2	3	4	5
Additional Comments						

5 Advisers and Pension Board

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
	1	2	3	4	5
5.1	Advisers make a useful contribution to the Committee's meetings				
	1	2	3	4	5
5.2	I understand the role of the Fund's actuary				
	1	2	3	4	5
5.3	I understand the role of the Fund's investment advisers				
	1	2	3	4	5
5.4	I understand the role of the Fund's Governance and Benefits advisers				
	1	2	3	4	5
5.5	I understand the role of the East Sussex Pension Fund Local Pension Board				
	1	2	3	4	5
Additional Comments					

6 Documents and policies

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
	1	2	3	4	5
6.1 I know where to find up to date copies of the Fund's key documents	1	2	3	4	5
6.2 I understand the purpose of the East Sussex Pension Fund's Funding Strategy Statement	1	2	3	4	5
6.3 I understand the purpose of the East Sussex Pension Fund's Communications Policy	1	2	3	4	5
6.4 I understand the purpose of the East Sussex Pension Fund's Administration Strategy	1	2	3	4	5
6.5 The Committee is informed of changes to the Fund's key documents	1	2	3	4	5
Additional Comments					

Please add any additional comments below

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Report to: **Pension Board**

Date of meeting: **3 August 2017**

By: **Chief Finance Officer**

Title: **Work programme**

Purpose: **The updated report sets out the Pension Fund Forward plan for 2017-18. The Plan includes the key objectives for the Fund, training strategy/plan for the Fund and Member training log.**

RECOMMENDATIONS – The Board is recommended to note the report.

1. Introduction

1.1 The Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 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 2017/18 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 2017/18.

3. Pensions Regulator Training Toolkit

3.1 The Pensions Regulator has provided an on-line training resource to assist those involved with the public sector pension schemes. This is accessed via a “Trustee Toolkit” link on its website. It provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes.

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 ESG training session on 13th June 2017, the next joint training session is scheduled to take place on 26 September 2017. The proposed topics for the session are:

- *The role of the Board/Committee within the ACCESS LGPS Pool;*
- *Updates from the Pension Fund Regulator.*

5. Conclusion and reasons for recommendations

5.1 The Board is requested to note the Pension Fund Board/Committee Forward Plan 2017/18.

IAN GUTSELL
Chief Finance Officer

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Background Documents
None

EAST SUSSEX PENSION FUND

PENSION COMMITTEE/BOARD FORWARD PLAN 2017-18

August 2017

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Business Plan

1 Introduction

- 1.1 Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 71,000 individuals employed by 130 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 2017/18. 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.

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 was 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 2016.

2.8 **Administration Strategy**

Sets out standards and guidelines agreed between employers and ESCC to make sure the LGPS runs smoothly. The strategy is reviewed every 12 months and employers are informed of any revisions, which they can also comment on.

2.9 **Employers' Discretions Policy**

Regulations allow the County Council as the administering authority to choose how or whether to apply certain discretions for administering the scheme and the Pension Fund.

2.10 **Myners Compliance Statement**

Sets out the extent to which the fund complies with best practice principles.

1. PENSION BOARD – FORWARD/BUSINESS PLAN

PENSION BOARD FORWARD/BUSINESS PLAN											
Date	November 2016	February 2017	June 2017	August 2017	November 2017	February 2018	May 2018	August 2018	November 2018	February 2019	May 2019
Item											
1	2016 LGPS Regs., and Investment Strategy Statement (ISS)- Guidance	2016/17 External Audit Plan – Pension Fund	External Assurance Reports from Third Parties	Governance Compliance Statement	Internal dispute resolution procedure	Policies of the administering Authority <ul style="list-style-type: none"> · conflicts of interests · record-keeping/meeting attendance · data protection and freedom of information 	Key member and employer communications	Governance Compliance Statement	Internal dispute resolution procedure	Policies of the administering Authority <ul style="list-style-type: none"> · conflicts of interests · record-keeping/meeting attendance · data protection and freedom of information 	Key member and employer communications
2	Internal Audit report - Pension Fund Governance and Investments	Reporting breaches	Annual Report – 2016/17	MIFID II - Update	Internal Control Register	Reporting breaches	Discretionary policy statement	Statement of investment principles	Internal Control Register	Reporting breaches	Discretionary policy statement

East Sussex Pension Fund

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	Pension administration statement	LGPS Pooling – ACCESS update	Risk register	Communications policy statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarking	Risk register	Communications policy statement	External Assurance Reports from Third Parties
4	Funds Actuarial Valuation Report - Draft	GMP Reconciliation - update	MIFID II - Update	Review of Managers fees	CIPFA Benchmarking	Investment/ Admin Consultant Performance	Annual Report	Investment/ Admin Consultant Performance	CIPFA Benchmarking	Investment/ Admin Consultant Performance	Annual Report
5		Business Operation Systems	Risk register	General Data Protection Regulation Compliance			Bulk Transfer, Cessations and Admission policies	Review on fee arrangements	Investment/ Admin Consultant Performance		Bulk Transfer, Cessations and Admission policies
6		Pension Board Insurance	Local Pension Survey – SAB/LGA								

2. PENSION COMMITTEE – FORWARD/BUSINESS PLAN

PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date	November 2016	February 2017	July 2017	September 2017	November 2017	February 2018	May 2018	September 2018	November 2018	February 2019	May 2019
Item											
1	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report	Hymans Robertson - Fund Managers performance monitoring report
2	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update
3	Funds Actuarial Valuation Report-Draft results	2016/17 External Audit Plan – Pension Fund	Petition - Fossil Fuel	Governance Compliance Statement	Risk register	Communications policy statement	Discretionary policy statement	Investment Strategy Statement	Risk register	Communications policy statement	Discretionary policy statement
4	ACCESS LGPS Pooling - update	Funding Strategy Statement	External Audit and Annual Report Approval	Passive Investment Framework	Pension Committee Forward/Training Plan	Investment Strategy Statement	External Assurance Reports from Third Parties	Governance Compliance Statement	Pension Committee Forward/Training Plan		External Assurance Reports from Third Parties
5	Investment Advisor Contract	Pension Admin Cost Analysis	Pension administration statement	MIFID II - Update			Bulk, Transfer, Cessations and Admission policies	Investment/ Admin Consultant Performance			Bulk, Transfer, Cessations and Admission policies

PENSION COMMITTEE FORWARD/BUSINESS PLAN											
Date	November 2016	February 2017	July 2017	September 2017	November 2017	February 2018	May 2018	September 2018	November 2018	February 2019	May 2019
Item											
6		Investment Strategy Statement	Update on Pensions Admin Systems/GM P								

3. PENSION COMMITTEE FORWARD PLAN – Investment Strategy Day

PENSION COMMITTEE FORWARD/BUSINESS PLAN - Strategy Day		
Date	July 2017	July 2018
Item		
1	Investment Strategy review day	Investment Strategy review day

East Sussex Pension Fund (ESPF)

Pension Board and Committee Training Strategy

1. Introduction - Target audience

1.1 Pensions Committee:

East Sussex County Council (Scheme Manager) operates a Pensions Committee (the “Pensions Committee”) for the purposes of facilitating the administration of the East Sussex Pension Fund, i.e. the Local Government Pension Scheme that it administers. Members of the Pensions Committee owe an independent fiduciary duty to the members and employer bodies in the Funds and the taxpayer. Such members are therefore required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

1.2 Pension Board:

The Scheme Manager is also required to establish and maintain a Pension Board, for the purposes of assisting with the ongoing compliance of the Fund. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) Regulations 2015 and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role. This strategy sets out the requirements and practicalities for the training of members of both the Pensions Committee and the Pension Board. It also provides some further detail in relation to the attendance requirements for members of the Pension Board and in relation to the reimbursement of expenses.

The East Sussex Pension Funds’ objectives relating to knowledge and skills should be to:

- Ensure the pension fund is managed and its services delivered by Officers who have the appropriate knowledge and expertise;
- Ensure the pension fund is effectively governed and administered;
- Act with integrity and be accountable to its stakeholders for decisions, ensuring they are robust and are well based and regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government are met.

To achieve these objectives:-

1.3 The East Sussex Pension Fund’s Pension Committee require an understanding of:

- Their responsibilities in exercising their delegated decision making power on behalf of East Sussex County Council as the Administering Authority of the East Sussex Pension Fund;
- The fundamental requirements relating to pension fund investments;
- The operation and administration of the pension fund;

- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the Fund.

1.4 East Sussex Pension Fund's Local Pension Board members must be conversant with-

- The LGPS Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund

And have knowledge and understanding of:

- The law relating to pensions; and
- Such other matters as may be prescribed

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board, the Pensions Regulator and guidance issued by the Secretary of State. Ideally, targeted training will also be provided that is timely and directly relevant to the Committee's and Board's activities as set out in the Fund's business plan.

Board members will receive induction training to cover the role of the East Sussex Pension Fund, Pension Board and understand the duties and obligations for East Sussex County Council as the Administering Authority, including funding and investment matters.

Also those with decision making responsibility in relation to LGPS pension matters and Board members will also:

- Have their knowledge assessed;
- Receive appropriate training to fill any knowledge gaps identified; and
- Seek to maintain their knowledge.

1.5 The Knowledge and Skills Framework

In an attempt to determine what constitutes the right skill set for a public sector pension finance professional the Chartered Institute of Public Finance and Accounting (CIPFA) has developed a technical knowledge and skills framework. This is intended as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs, and an assessment tool for individuals to measure their progress and plan their development.

The framework is designed so that elected members and officers can tailor it to their own particular circumstances. In total, there are six main areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pension finance or for Members responsible for the management of the Fund. These have been outlined in some detail in Appendix 1 and summarised below –

1. Pension Legislation & Governance Context
2. Pensions Accounting & Auditing Standards
3. Financial Services Procurement & Relationship Management
4. Investment Performance & Risk Management
5. Financial Markets & Products Knowledge
6. Actuarial Methods, Standards & Practices

1.6 Scheme Employers now have a greater need –

- Of being kept up to date of their increased responsibilities as a result the introduction of the CARE Scheme in the LGPS and the timeliness of providing data and scheme member information
- Of appreciating some of the determinations being made by the Pensions Ombudsman that impact directly on their decisions concerning ill-health retirement cases
- To be aware of the importance of having written discretion policies in place
- Of their representation role on the East Sussex Pension Board.

1.7 Application of the training strategy

This Training Strategy will set out how ESCC will provide training to representatives with a role on the Pension Committee, Pension Board members and Employers. Officers involved in the management and administration of the Fund will have their own sectional and personal training plans and career development objectives.

1.8 Purpose of training

The purpose of training is to:

- Equip members with the necessary skills and knowledge to be competent in their role;
- Support effective and robust decision making;
- Ensure individuals understand their obligation to act, and to be seen to act with integrity;
- Ensure that members are appropriately skilled to support the fund in achieving its objectives.

1.9 Summary

Officers will work in partnership with members to deliver a training strategy that will:

- Assist in meeting the East Sussex Pension Fund objectives;
- Support the East Sussex Pension Fund's business plans;
- Assist members in achieving delivery of effective governance and management;
- Equip members with appropriate knowledge and skills;
- Promote ongoing development of the decision makers within the East Sussex Pension Fund;
- Demonstrate compliance with the CIPFA Knowledge and Skills Framework;
- Demonstrate compliance with statutory requirements and associated guidance

2. Delivery of Training

2.1 Training plans

To be effective, training must be recognised as a continual process and centred on 3 key points

- The individual
- The general pensions environment
- Coping with change and hot topics

The basis of good training for a Fund is to have in place a training plan complemented by a training strategy or policy.

The training strategy supported by the plan will set out how, what and when training will be carried out.

Officers will with members conduct reviews of training, learning and development processes and identify gaps versus best practice.

2.2 Training resources

Public bodies such as the Local Government Association (LGA) and Actuarial, Benefit Consultants and Investment Consultants have been carrying out training sessions for LGPS Funds for many years. This means there is a vast readily available library of material to cover many different topics and subjects and the appropriate expert to deliver it.

2.3 Appropriate Training

As mentioned in 2.1 above it is best practice for a Fund to have in place a training strategy and training plan. This will help identify the Fund's objectives and indicate what information should be contained in the training material and presentation. For example, if the East Sussex Pension Fund records its aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and Code of Practice to meet the skill set within the Framework, the content of training will meet the requirements of the KSF. This is particularly important if the East Sussex Pension Fund is monitoring the knowledge levels of Committee members or Board members, in which case the training must cover any measurement assessment being applied by the Fund in the monitoring knowledge levels.

2.4 Flexibility

It is recognised that a rigid training plan can frustrate knowledge attainment if it does not adapt for a particular purpose, there is a change in pension's law or new responsibilities are required of board members. Learning programmes will therefore include some flexibility so they can deliver the appropriate level of detail required.

2.5 E-Learning

The Pensions Regulator has available an online e-learning programme for those involved in running public service pension schemes. This learning programme is aimed at all public service schemes and whilst participation is to be encouraged, taking this course alone is very unlikely to meet with knowledge and understanding requirements of LGPS local pension board members.

3. Training deliverables

3.1 Suitable Events

It is anticipated that at least 1 day's annual training will be arranged and provided by officers to address specific training requirements to meet the Committee's forward business plan, all members will be encouraged to attend this event.

A number of specialist courses are run by bodies such as the Local Government Employers and existing fund manager partners, officers can provide details of these courses. There are a number of suitable conferences run annually, officers will inform members of these conferences as details become available. Of particular relevance are the National Association of Pension Funds (NAPF) Local Authority Conference, usually held in May, the LGC Local Authority Conference, usually held in September, and the Local Authority Pension Fund Forum (LAPFF) annual conference, usually held in December.

3.2 Training methods

There are a number of methods and materials available to help officers prepare and equip members to perform their respective roles. Consideration will be given to various training resources available in delivering training to members of Committee, Board, and officers in order to achieve efficiencies. These may include but are not restricted to:-

For Pension Committee and Pension Board Members	For Officers
<ul style="list-style-type: none"> • On site or off site • Using an Online Knowledge Portal or other e-training facilities • Attending courses, seminars and external events • Internally developed training days • Short sessions on topical issues or scheme-specific issues • Informal discussion and One to one • Shared training with other Funds or Frameworks • Regular updates from officers and/or advisors • A formal presentation 	<ul style="list-style-type: none"> • Desktop/work based training • Using an Online Knowledge Portal or other e-training facilities • Attending courses, seminars and external events • A workshop with participation • Short sessions on topical issues or scheme-specific issues • Informal discussion and One to one • Training for qualifications from recognised professional bodies (e.g. CIPFA, ACCA, etc.) • Internally developed sessions • Shared training with other Funds or Framework

3.3 Training material

Officers will discuss with members the material they think is most appropriate for the training. Officers can provide hand outs and other associated material.

4. Monitoring and Reporting

Each member of the Pensions Committee and Pension Board will inform the Scheme Manager of relevant training attended from time to time. A report will be submitted to the Pensions Committee annually highlighting the training and attendance of each member of the Pensions Committee and Pension Board.

Where the Scheme Manager has a concern that a member of the Pension Board is not complying with the requisite training or attendance requirements it may serve a notice on the Pension Board, requiring the Pension Board to take necessary action. The Pension Board shall be given reasonable opportunity to review the circumstances and, where appropriate, liaise with the Scheme Manager with a view to demonstrating that such member will be able to continue to properly perform the functions required of a member of the Pension Board.

This training strategy will be reviewed on an ongoing basis by the Scheme Manager, taking account of the result from any training needs evaluations and any emerging issues. The Committee/Board will be updated with events and training opportunities as and when they become available and relevant to on-going pension governance

5. Risk

5.1 Risk Management

The compliance and delivery of a training strategy is a risk in the event of-

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored within the scope of the training strategy to be reported where appropriate.

6. Budget

6.1 Cost

A training budget will be agreed and costs fully scoped.

6.2 Reimbursement of expenses

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund.

All reasonable expenses properly incurred by members of the Pensions Committee, and the Pension Board necessary for the performance of their roles will be met by the Funds, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

7. Pensions Regulator Training Toolkit

The Pensions Regulator has provided an on-line training resource to assist those involved with the public sector pension schemes. This is accessed via a "Trustee Toolkit" link on its website.

It provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes. Each module provides an option to complete an interactive tutorial online and an assessment to test knowledge. The modules are:

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law.

The Regulator suggests that each module's tutorial should take no more than 30 minutes to complete. The modules will assist with meeting the minimum knowledge and understanding requirements in relation to the contents of the Code of Practice, but would not meet the knowledge and skills requirements in other areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation. Therefore, this toolkit should be used to supplement the existing training plans.

Proposed Members Training Plan for 2017-2018

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 <ul style="list-style-type: none"> Member's Role 	✓						1	Completed
Members individual needs on specific areas arising during the year <ul style="list-style-type: none"> Advisory Board e-learning 	✓	✓			✓	✓ ✓	1,3,4	As required – notify Head of Accounts and Pensions
Pre- committee meeting/agendas <ul style="list-style-type: none"> Specific investment Topics Services and providers Procurement process for 		✓ ✓ ✓	✓ ✓ ✓				2,3,4,5	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
services provided externally <ul style="list-style-type: none"> • Performance measurement • Accounts and audit regulations • Role of internal and external audit • Fund responsibilities/ policy • Pension Discretions • Safeguarding the Fund's Assets 		✓ ✓ ✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓ ✓ ✓					
Pension Fund Forum <ul style="list-style-type: none"> • Valuation Process • Knowledge of the valuation process and the need for a funding strategy • Implications for employers of ill health and outsourcing decisions • Importance of monitoring asset returns relative to liabilities 				✓			1,4,6	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework <ul style="list-style-type: none"> LGPS discretions & policies Implications of the Hutton Review 		✓	✓	✓	✓		1,6	
Pensions Legislation & Governance: <ul style="list-style-type: none"> Roles of the Pension Regulator, Pension Advisory Service & Pension Ombudsman in relation to the scheme Review of Myners principles and associated CIPFA & SOLACE guidance 		✓		✓			1,2,	
Pension Accounting & Auditing standards: <ul style="list-style-type: none"> Accounts & Audit regulations and the legislative requirements 			✓				1,2	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
Financial Services procurement: <ul style="list-style-type: none"> Current public procurement policy & procedures UK & EU procurement legislation 				✓ ✓			3,5,6	
Investment Performance & Risk Management: <ul style="list-style-type: none"> Monitoring asset returns relative to liabilities Myners principles of performance management Setting targets for committee and how to report against them 				✓ ✓ ✓	✓		3,5,6	Invite to be circulated to when relevant
Financial markets & products knowledge: <ul style="list-style-type: none"> Refresh the importance of setting investment strategy Limits placed by regulation on investment activities in 			✓	✓	✓		4 1 4	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
the LGPS <ul style="list-style-type: none"> Understanding of the operations of the fixed income manager Understanding of Alternative asset classes 				✓			4,5,6	
Pension Administration - <ul style="list-style-type: none"> Shared service 		✓	✓	✓			2,6	
Actuarial methods, standards and practices: <ul style="list-style-type: none"> Considerations in relation to outsourcings and bulk transfers Triennial Valuation refresher 		✓ ✓					1 6	
CHAIRMAN TRAINING								
<ul style="list-style-type: none"> Fund Benchmarking Stakeholder feedback Appreciation of changes to scheme rules 	✓ ✓				✓		2 4 1,5	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
EXTERNAL SEMINARS AND CONFERENCES								
NAPF Local Govt Conference <ul style="list-style-type: none"> • Refresher training • Keeping abreast of current development 					✓ ✓		1,3,4,5	
LGC Investment Conference <ul style="list-style-type: none"> • Fund Manager events and networking 					✓ ✓		1,2,3,4,5,6	

Key

The six areas covered within the CIPFA Knowledge and Skills Framework (KSF):

- | | |
|---|-------------|
| 1. Pension Legislation & Governance Context | KSF1 |
| 2. Pensions Accounting & Auditing Standards | KSF2 |
| 3. Financial Services Procurement & Relationship Management | KSF3 |
| 4. Investment Performance & Risk Management | KSF4 |
| 5. Financial Markets & Products Knowledge | KSF5 |
| 6. Actuarial Methods, Standards & Practices | KSF6 |

EAST SUSSEX PENSION BOARD – TRAINING LOG

Member/Representative Name:

Subject/Description of training	Date completed	Suggested Further Action?
Benefit Structure		
Joining	22 February 2016	
Contributions	22 February 2016	
Benefits	22 February 2016	
Transfers	22 February 2016	
Retirement	22 February 2016	
Increasing benefits	22 February 2016	
Code of Practice		
About the code	22 February 2016	
Governing your scheme	22 February 2016	
Risk	22 February 2016	
Administration	22 February 2016	
Resolving issues	22 February 2016	
LGPS – Legislative and Governance context		
A recap on who does what in the LGPS focusing on the roles of;	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	26 January 2017	
LGPS Regulations and Statutory Guidance	26 January 2017	
LGPS Discretions	26 January 2017	
Other Legislation	26 January 2017	

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Pensions Governance		
Understanding National and Local Governance Structure		
Knowledge of Pension Fund Stakeholders		
Knowledge of Pension Fund Stakeholder Consultation and Communication		
Governance Policies		
Pension Administration		
Understanding Best Practice		
Interaction with HMRC		
Additional Voluntary Contributions		
The Role of the Scheme Employer		
Stewardship Report		
Pensions Accounting and Auditing Standards		
Understanding the Accounts and Audit Regulations		
The Role of Internal and External Audit		
Third Party Contracts		
Investment Performance and Risk Management		
Monitoring Assets and Assessing Long-Term Risk		
Myners Principles of Performance Management		
Awareness of Support Services		

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Understanding Risk and Return of Fund Assets		
Understanding the Financial Markets		
LGPS (Management and Investment of Funds) Regulations		
HMRC and Overseas Taxation		
Procurement and Relationship Management		
Public Procurement Policy and Procedures		
Brief Overview of UK and EU Procurement Legislation		
How the Pension Fund Monitors and Manages its Outsourced Providers		
Additional Training		
LGPS discretions & policies		
Safeguarding the Fund's Assets		
Developing Investment Strategies Statement		
Role of the Global Custodian – Northern Trust		
Pensions legislative & Governance		
Environmental, Social and Governance (ESG)	13 June 2017	
The role of the Board/Committee within the ACCESS LGPS Pool;	26 September 2017	
Updates from the Pension Fund Regulator.	26 September 2017	

AVAILABLE TRAINING AND CONFERENCES 2017 – 2018

Date	Conference/Event	Run By	Delegates/Cost
September 2017	Investment Summit	Local Government Chronicle (LGC)	TBC
October 2017	Annual Local Government Pension Investment Forum	Informal	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	18 July 2016	26 October 2016	26 January 2017	13 June 2017	26 September 2017
Topics	<ul style="list-style-type: none"> Valuation assumption setting Consistency of assumptions with investment beliefs 2016 valuation early warning Valuation timetable and next steps 	<ul style="list-style-type: none"> Triennial Valuations and Understanding Liabilities Roles of the Pension Regulator Pensions legislative & Governance 	<ul style="list-style-type: none"> LGPS discretions & policies Safeguarding the Fund's Assets Developing Investment Strategies Statement Role of the Global Custodian – Northern Trust 	<ul style="list-style-type: none"> Environmental, Social and Governance (ESG) Training Day 	<ul style="list-style-type: none"> The role of the Board/Committee within the ACCESS LGPS Pool; Updates from the Pension Fund Regulator.

