



PENSION COMMITTEE

MONDAY, 27 NOVEMBER 2017

10.00 am COMMITTEE ROOM, COUNTY HALL, LEWES

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

A G E N D A

- 1 Minutes (*Pages 3 - 6*)
- 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 (*To Follow*)
- 6 Quarterly Performance Report - Hymans Robertson (*Pages 7 - 56*)
 - Review of Private Markets Investments
 - Equity allocations
- 7 Passive Investment Management - UBS (*Verbal Report*)
- 8 Environmental, Social and Governance (ESG) - update (*Pages 57 - 62*)
- 9 Local Government Pension Scheme (LGPS) Pooling - ACCESS updates (*Pages 63 - 84*)
- 10 Market analysis of Pensions Administration System (*Pages 85 - 96*)
- 11 Annual Benefit Statement Update (*Pages 97 - 100*)
- 12 Guaranteed Minimum Pension (GMP) Reconciliation Update (*Pages 101 - 110*)
- 13 Officers' Report - Business Operations (*Pages 111 - 116*)
- 14 ACCESS Operator Procurement (*Pages 117 - 118*)
- 15 Officers' Report - General Update (*Pages 119 - 126*)
- 16 Work programme (*Pages 127 - 156*)
- 17 Any other non-exempt items previously notified under agenda item 4

- 18 Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 19 East Sussex Pension Fund: Independent Advisor *(Pages 157 - 160)*
- 20 Asset Pooling – Passive Investment Procurement *(Pages 161 - 170)*
- 21 Any other exempt items previously notified under agenda item 4

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

17 November 2017

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

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at County Hall, Lewes on 4 September 2017.

PRESENT Councillor Richard Stogdon (Chair) Councillors Simon Elford, Gerard Fox and David Tutt

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Ola Owolabi, Head of Pensions
John Shepherd, Finance Manager (Pension Fund)
Russell Wood, Principal Pensions Officer
Paul Potter, Hymans Robertson
William Bourne, Independent Adviser
Faith Ward, Chief Responsible Investment and Risk Officer, Environment Agency Pension Fund
Hermione Davies, Investment Director, Ruffer LLP
Des Brennan, Research Director, Ruffer LLP
Julia Hilton, Petitioner
Richard Harbord, Chair of Pension Board
Harvey Winder, Democratic Services Officer

14 MINUTES

14.1 The Committee agreed that the minutes were a correct record of the meeting held on 17 July 2017.

15 APOLOGIES FOR ABSENCE

15.1 Apologies for absence were received from Cllr Stuart Earl.

16 DISCLOSURE OF INTERESTS

16.1 Cllr Richard Stogdon declared a personal, non-prejudicial, interest as the trustee of a private Trust fund managed by Ruffer.

17 URGENT ITEMS

17.1 There were no urgent items.

18 PENSION BOARD MINUTES

18.1 The Committee considered the draft minutes of the Pension Board meeting held on 3 August 2017.

18.2 The Committee RESOLVED to note the draft minutes.

19 PETITION RELATING TO DIVEST EAST SUSSEX PENSION FUND FROM FOSSIL FUELS

19.1 The Committee considered a report regarding a petition proposing that East Sussex Pension Fund (ESPF) disinvest from fossil fuels.

19.2 Julia Hilton attended the meeting on behalf of the lead petitioner and spoke in support of the petition.

19.3 The Committee RESOLVED to note the content of the petition.

20 ENVIRONMENT AGENCY - PRESENTATION

20.1 The Committee considered a presentation by the Environment Agency Pension Fund's Chief Responsible Investment and Risk Officer, titled *Addressing Climate Change*.

20.2 The Committee RESOLVED to note the presentation.

21 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) - HYMANS ROBERTSON

21.1 The Committee considered a report on Environmental, Social and Governance (ESG) issues based on research by the Fund's Investment Adviser, Hymans Robertson.

21.2 The Committee RESOLVED to:

1) include within the Pension Fund Investment Beliefs, the following statements relating to ESG investment subject to refinement from Hymans Robertson:

- Climate change presents a financial risk to the future investment returns from the Fund.
- Close engagement with - and challenge to - the investment managers will improve understanding of these risks.
- Individual stock selection decisions will be delegated to active managers but the Fund will retain the right to sell holdings in exceptional circumstances.
- The Fund will aim to collaborate with other investors where this is expected to have a positive impact
- The nature of the underlying benchmark is an important consideration, most notably for passive mandates.

2) agree that the East Sussex Pension Fund should sign up to the UK Stewardship Code; and

3) request an analysis of the Fund's exposure to carbon risk within its equity holdings.

22 QUARTERLY PERFORMANCE REPORT - HYMANS ROBERTSON

22.1 The Committee considered a report by Hymans Robertson on the performance of fund managers during the second quarter of 2017.

22.2 The Committee RESOLVED to agree to rebalance holdings with the transfer of funds from global equity holdings to absolute return holdings within the agreed tolerance range.

23 FUND PERFORMANCE - RUFFER LLP

23.1 The Committee considered a presentation by Ruffer LLP their fund performance.

24 OFFICERS' REPORT - BUSINESS OPERATIONS

24.1 The Committee considered a report on the performance of Business Operations.

24.2 The Committee RESOLVED to:

- 1) Note the report; and
- 2) approve the expenditure of £5,000 for the annual use of a monthly mortality screening service.
- 3) request that a briefing is circulated on the implementation of online Annual Benefit Statements.

25 TIMETABLE FOR PROCURING ADMINISTRATION SYSTEM

25.1 The Committee considered a report on the timetable for procuring a system to deliver administration on behalf of the East Sussex Pension Fund.

25.2 The Committee RESOLVED to request an additional report detailing the procurement process including the options appraisal of services offered by other administration system providers.

26 LOCAL GOVERNMENT PENSION SCHEME POOLING - ACCESS UPDATES

26.1 The Committee considered an update on local government pension scheme pooling.

26.2 The Committee RESOLVED to note the report.

27 MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID II) IMPLEMENTATION

Financial Instruments Directive (MiFID II).

27.2 The Committee RESOLVED to:

1. Note the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018;
2. agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy;
3. acknowledge and agree to forgo the protections available to retail clients attached as Appendix 1; and
4. agree to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the purposes of completing the applications and achieving elective professional status for the Fund with effect from 3 January 2018.

28 OFFICERS' REPORT - GENERAL UPDATE

28.1 The Committee considered a general update report.

28.2 The Committee RESOLVED to note the report.

29 FORWARD PLAN

29.1 The Committee considered its forward plan.

29.2 The Committee RESOLVED to note the report.

The meeting ended at 3.15 pm.

Councillor Richard Stogdon (Chair)

East Sussex Pension Fund

Review of Investment Managers' Performance for Third Quarter of 2017

Page 7

➤ Prepared By:

Paul Potter - Partner
Email: paul.potter@hymans.co.uk
William Marshall - Partner
Email: william.marshall@hymans.co.uk
Kirsty Moffat - Investment Analyst
Email: kirsty.moffat@hymans.co.uk

For and on behalf of Hymans Robertson LLP
November 2017

Contents

Page 8

	Page
➤ Markets	
Capital Market Outlook	3
Historic Returns for World Market to 30 September 2017	4
➤ Fund Overview	
Summary of mandate absolute performance to 30 September 2017	5
Fund Asset Allocation and Performance	6
➤ Manager Overview	
Summary of Mandates	7
Manager Structure	8
Performance Summary (net of fees)	9
➤ Managers	
Legal and General - UK and Global Equities	10
Legal and General - 5 year ILG	11
State Street - Fundamental Indexation	12
Longview - Global Equity	13
Ruffer - Absolute Return	14
Newton - Absolute Return	15
M&G - Bonds	16
M&G - Bonds - Performance Attribution	17
Schroders - Property	18
➤ Appendices	
Summary of Alternative Funds	19
Performance Summary (gross of fees)	20
Summary of Benchmarks	21
Performance Calculation Explanation	24

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

Hymans Robertson LLP has relied upon third party sources and all copyright and other rights are reserved by such third party sources as follows: DataStream data: © DataStream; Fund Manager data: Fund Manager; Investment Property Databank Limited data: © and database right Investment Property Databank Limited and its licensors 2017. All rights reserved. IPD has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use or reliance on any of the information which may be attributed to it; Hymans Robertson data: © Hymans Robertson. Whilst every effort has been made to ensure the accuracy of such estimates or data - including third party data - we cannot accept responsibility for any loss arising from their use. © Hymans Robertson LLP 2017

Capital Market Outlook

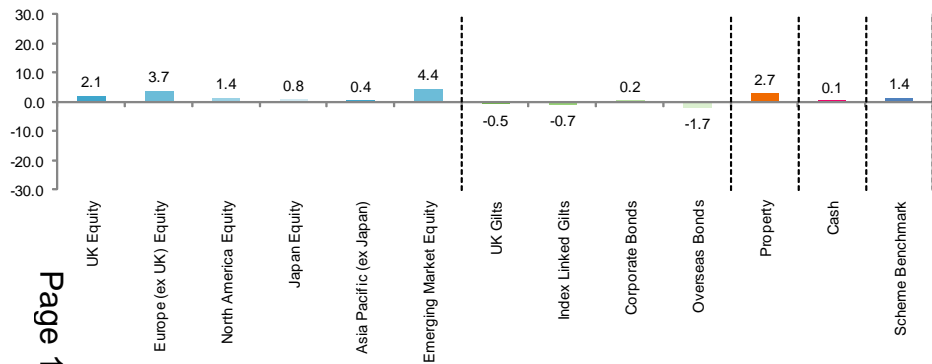
	June 2017	September 2017	Comment
Index-linked gilts	Negative	Cautious to Negative	Marginal rise in real yields over the quarter, however they still remain at low levels relative to long-term history. We expect real yields to closely follow nominal yields, with higher levels of inflation already baked into pricing. Ongoing demand for index-linked gilts by UK institutions should continue to dampen the potential for real yields to rise.
Conventional gilts	Negative	Cautious to Negative	Recent inflation figures suggest higher yields are on the horizon, however outlook for UK growth remains lacklustre and any rises in interest rates is likely to be limited and gradual. Valuation concerns remain with gilt yields very low relative to their fundamentals.
Sterling non-government bonds	Cautious	Cautious	Continued spread compression has left valuations below longer-term averages. Technicals remain supportive in the short term as the demand remains for yield. However, there is the potential for yields to rise as central banks begin to unwind QE. We continue to prefer the floating nature of ABS, which would fare better should yields start to rise, given the lack of interest rate duration of floating rate bonds.
Equities	Cautious	Neutral to Cautious. Neutral with downside protection	We have seen a resurgence in earnings but valuations look expensive relative to history on a long-term P/E basis (Shiller) and traditional P/E basis. Further momentum in earnings growth is required to justify current prices. The recent strength in equity markets, an uncertain global economic and market outlook, coupled with a lack of volatility, might suggest a smart time to underpin current holdings with some protection.
UK Property	Neutral	Neutral to Attractive	Current yields remain low relative to their long term average, but continue to provide a reasonable absolute level of income and a buffer relative to gilts and corporate bonds to absorb rate rises to an extent. We have a preference for long lease property given the security of the guaranteed rental growth which becomes increasingly attractive as inflations ticks up.
Infrastructure	Neutral	Neutral to Attractive	We like infrastructure assets with contractual, inflation linked income that have the ability to provide somewhat predictable income based returns. Many of the core assets are highly bid. Nevertheless, active managers are managing to secure core assets on yields up to 7% by focusing on deals with a degree of complexity or on deals where they have a competitive edge.
Absolute Return Strategies	Neutral	Neutral	We expect absolute return strategies to continue to deliver low single-digit returns. Active currency and interest rate calls may remain challenging given the lack of political predictability. Cash provides flexibility to capture more attractive buying opportunities.



Historic Returns for World Market to 30 September 2017

Historic Returns - Chart 1 [1] [i]

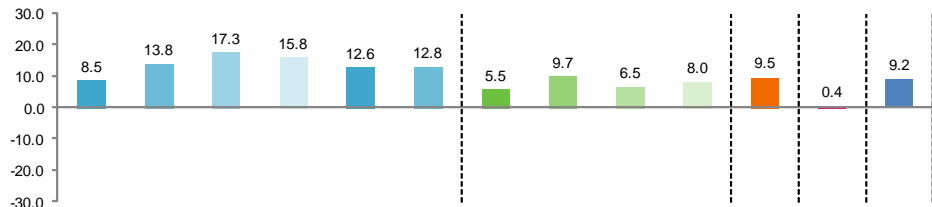
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Comment

Reports confirmed the momentum of global growth had increased in Q2. Japan recorded its best quarterly growth in two years, the US bounced back from a sluggish Q1 and the Eurozone maintained its recent revival. However, UK growth of 0.3% was disappointing.

The US Federal Reserve announced its intention to start unwinding its long-standing QE programme from October; as its holdings of government bonds and mortgage-backed securities mature, the extent of reinvestment will be limited.

The rise in UK CPI inflation paused briefly at the start of the quarter, before August matched May's five-year high of 2.9%. Despite above-target inflation, the Bank of England held UK interest rates at 0.25% p.a. However, the Governor indicated in September that rates would rise soon unless economic conditions deteriorated. The ensuing change in interest rate expectations caused gilt yields to rise sharply in the final weeks of the quarter, reversing a fairly steady decline over the quarter.

Credit markets had an uneventful period, although yield spreads, in general, tightened a little more. Buoyant economic conditions and a weak US dollar boosted emerging markets. Yields on the major local currency debt indices fell close to their lowest levels for over four years.

Sterling was under pressure until markets moved to price in a UK rate rise in 2017. Over the quarter as a whole, sterling was ahead of the yen and US dollar and roughly in line with the euro.

Oil prices surged over the quarter – Brent crude rose from \$48 a barrel to a two-year high of \$59 a barrel due to an imbalance between supply and demand. Confidence in supply was hit by US weather disruption and political uncertainty in Kurdistan, while demand in Asia was unexpectedly strong.

The series of Atlantic hurricanes and two Mexican earthquakes caused the first noticeable wobble in insurance-linked markets since Superstorm Sandy hit the east coast of the US in October 2012.

Global equity indices had another strong quarter. Improving corporate earnings and positive economic momentum more than offset growing concerns over equity valuations and rising political tension in the Korean peninsula. A stronger pound detracted from returns to UK investors.

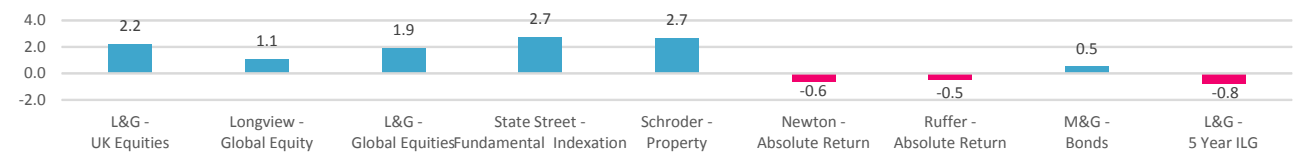
The best regional performance, in local currency terms, came from Emerging Markets. UK equities underperformed again as sterling strengthened. Commodity price strength pushed Oil & Gas and Basic Materials to the top of the global equity sector performance table.

UK property values, as measured by the IPD Monthly Index, are back at pre-referendum levels. Rental growth is showing signs of a modest upturn and industrials continue to have the strongest momentum.

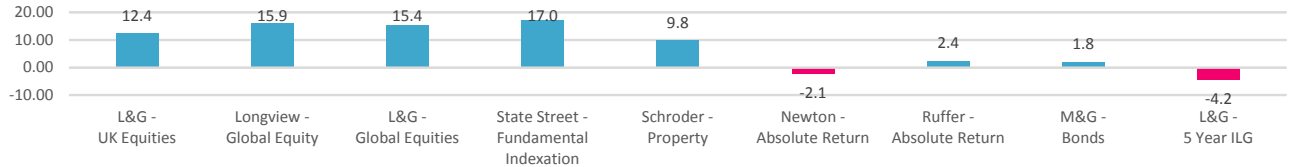
[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts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

Summary of mandate absolute performance to 30 September 2017

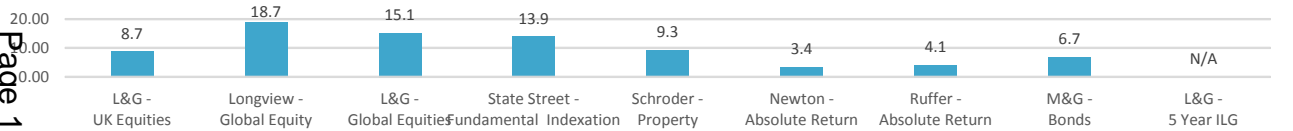
3 Month Absolute Performance (%)



12 Month Absolute Performance (%)



3 Year Absolute Performance (%)



Comments

This page sets out the absolute returns of each of the Fund's mandates over 3 month, 12 month and 3 year periods. It aims to give an indication of the role that each mandate has in the Fund's investment structure (i.e. typically to either generate growth, provide diversification or to give some protection) and how well the mandate has performed this role over the time periods shown.

Growth (Equities)

Equities produced positive results over the quarter, in particular, emerging market equities. Over the 12 month period to end September 2017, all the Fund's equity mandates delivered strong absolute returns.

Diversification/Income oriented (Property/Absolute Return)

Gilt yields rose over the quarter (causing prices to fall) but equity exposure offset some of these losses to a certain extent within the absolute return funds. Both Newton and Ruffer lagged the LIBOR benchmark over the quarter and posted negative returns.

Protection (Bonds)

Over the third quarter of 2017, the absolute value of the Fund's bond holdings was negatively impacted as anticipation of a rate rise in the UK added to upward pressure on gilt yields. However, over the longer term, the M&G bond mandates have delivered strong returns, although the L&G index-linked gilt index produced negative returns over the 12 month period.



Fund Asset Allocation and Performance

Valuation Summary

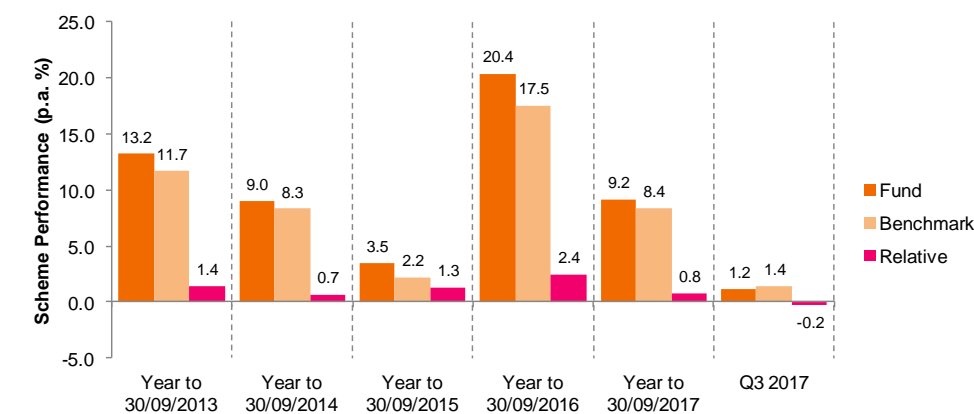
Asset Class	Value (£m)		Actual Proportion %	Target Proportion %	Re-balancing range %	Difference	
	Q2 2017	Q3 2017					
Global Equity	1442.7	1473.2	43.6	38.0	45.0 - 55.0	-2.2	5.6
UK Equity	324.3	331.4	9.8	12.0			0.4
Fixed Interest	130.4	130.7	3.9	3.5	2.5 - 4.5		0.2
Index-Linked Gilts	175.3	174.0	5.2	5.0	4.0 - 6.0		0.3
Property	342.2	348.6	10.3	10.0	7.0 - 13.0		0.1
Infrastructure	30.3	24.2	0.7	2.0	0.0 - 4.0	-1.3	
Private Equity	188.2	189.9	5.6	5.5	3.5 - 7.5		
Absolute Return Funds	581.1	576.1	17.1	20.0	17.0 - 23.0	-2.9	1.5
Cash	68.3	52.2	1.5	0.0	0.0 - 2.0		
UK Financing Fund	2.0	1.5	0.0	1.0	0.0 - 2.0	-1.0	
Absolute Return Bonds	73.3	73.9	2.2	3.0	2.0 - 4.0	-0.8	
Total Fund	3358.1	3375.5	100.0	100.0			

Fund performance [1]

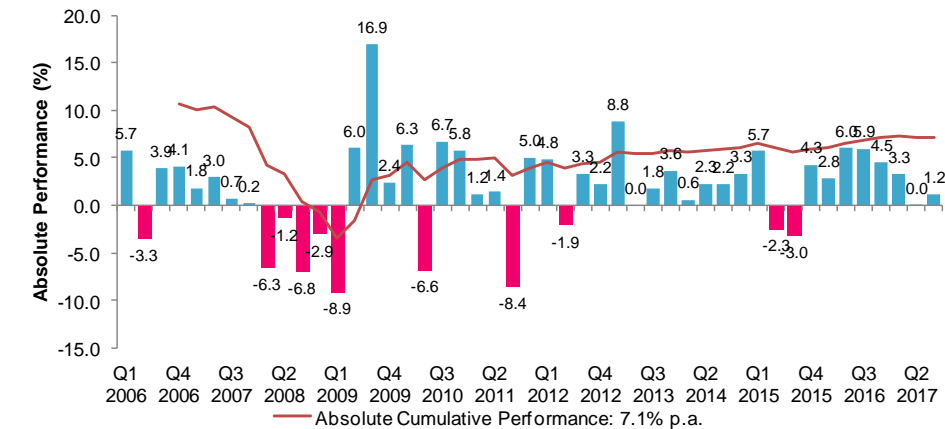
The Fund lagged the aggregate benchmark during the third quarter of 2017, returning 1.2% (gross of fees) in absolute terms. Over the 12 month period the Fund delivered a positive absolute return of 9.2% ahead of benchmark by 0.8%.

At manager level, M&G bonds and Schroder's property portfolio outperformed over the quarter. However, the Newton and Ruffer Absolute Return Funds underperformed their cash benchmarks whilst Longview also underperformed relative to its benchmark.

Performance Summary [1]



Absolute Quarterly and Absolute Cumulative Performance [1]



[1] Total Fund return is estimated. Historical returns are backdated with WM figures.

Summary of Mandates

Manager Summary ^[1]

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

* For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain

Summary Comment

The rating for Newton's Real Return Fund was downgraded from a '5 – Preferred' to a '4 – Retain' over the quarter, reflecting our concerns over the team and corporate stability at Newton. There were no other changes to manager ratings over the third quarter. We will continue to monitor developments closely.

The Fund continues to be underweight to UK Equities and both the absolute return funds. Global Equity and cash are overweight. All asset classes are within their re-balancing range. A rebalancing from global equities to absolute return funds is being implemented this quarter.

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

Manager Structure

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q2 2017	Q3 2017			
L&G - Global Equities	554.6	565.0	16.7	15.5	1.2
Longview - Global Equity	235.8	238.0	7.1	5.0	2.1
State Street - Fundamental Indexation	652.4	670.2	19.9	17.5	2.4
L&G - UK Equities	324.3	331.4	9.8	12.0	-2.2
Newton - Absolute Return	290.0	287.7	8.5	10.0	-1.5
Ruffer - Absolute Return	291.1	288.5	8.5	10.0	-1.5
L&G - 5yr ILG	175.3	174.0	5.2	5.0	0.2
M&G - Bonds	203.7	204.6	6.1	6.5	-0.4
Schroder - Property	342.2	348.6	10.3	10.0	0.3
M&G - Infrastructure Fund	7.9	2.2	0.1	1.0	-0.9
UBS - Infrastructure	22.4	22.0	0.7	1.0	-0.3
Adams Street - Private Equity	96.3	98.2	2.9	2.8	0.2
HarbourVest - Private Equity	92.0	91.7	2.7	2.8	-0.0
M&G - UK Financing Fund	2.0	1.5	0.0	1.0	-1.0
Cash account	68.3	52.2	1.5	0.0	1.5
Total	3358.1	3375.5	100.0	100.0	0.0

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

Performance Summary (net of fees)

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

		L&G - Global Equities	Longview - Global Equity	State Street - Fundamental Indexation	L&G - UK Equities	Newton - Absolute Return	Ruffer - Absolute Return	L&G - 5yr ILG	M&G - Bonds	Schroder - Property	Total Fund
3 Months (%)	Absolute Benchmark	1.9 1.9	0.9 1.8	2.7 2.8	2.2 2.1	-0.8 0.1	-0.7 0.1	-0.9 -0.8	0.4 0.0	2.6 2.4	1.1 1.4
	Relative	0.0	-0.9	0.0	0.0	-0.8	-0.8	-0.1	0.4	0.2	-0.3
12 Months (%)	Absolute Benchmark	15.3 15.5	15.2 14.9	16.9 17.1	12.3 11.9	-2.7 0.2	1.6 0.2	-4.6 -4.2	1.5 -0.8	9.5 9.3	8.9 8.4
	Relative	-0.2	0.3	-0.1	0.3	-2.9	1.3	-0.3	2.3	0.2	0.5
3 Years (% p.a.)	Absolute Benchmark	15.0 15.1	18.0 14.4	13.8 13.9	8.7 8.5	2.8 0.4	3.3 0.4	7.1 7.5	6.3 4.5	9.0 8.9	10.5 9.2
	Relative	0.0	3.1	-0.1	0.1	2.4	2.9	-0.3	1.7	0.1	1.2
10 Years (% p.a.)	Absolute Benchmark	11.4 11.5	17.4 12.5	11.8 12.0	6.4 6.3	4.0 0.5	4.3 0.5	N/A N/A	6.9 5.0	8.5 8.3	6.5 5.8
	Relative	0.0	4.4	-0.1	0.1	3.5	3.8	N/A	1.8	0.2	0.7

[1] We have estimated net returns based on each manager's expected fee levels. The table shows since inception returns in place of one year, three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period. Total fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total fund performance was calculated excluding private market investments. From Q3 2016 total fund performances has been calculated using estimated valuations for private market investments.

Source: [i] DataStream, Hymans Robertson

Legal and General - UK and Global Equities

HR View Comment & Rating



We rate Legal & General Investment Management's index-tracking equity capacity at '5 - Preferred strategy'.

There were no significant developments over the quarter to 30 September 2017.

L&G UK Fund Performance [i]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.2	12.4	8.7	6.5
Benchmark	2.1	11.9	8.5	6.3
Relative	0.0	0.4	0.2	0.2

* Inception date 21 November 2007

L&G Global Fund Performance [ii]

	3 months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.9	15.4	15.1	11.5
Benchmark	1.9	15.5	15.1	11.5
Relative	0.0	-0.1	0.1	0.0

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

Performance Attribution Comment

Both the Legal & General equity funds performed in line with their respective benchmarks over the quarter, as expected from passive mandates.

The UK fund returned 2.2% over the quarter. Over all longer periods considered, the mandate remains broadly in line with its benchmark. The UK equity market continues to lag its global counterpart.

The Global equity fund returned 1.9% over the third quarter of 2017, broadly in line with its benchmark. Over the 12 month, 3 year periods and since inception, the fund remains broadly in line with the benchmark.

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

Legal and General - 5 year ILG

HR View Comment & Rating



We rate Legal & General Investment Management's index-tracking equity capacity at '5 - Preferred strategy'.

There were no significant developments over the quarter to 30 September 2017.

Performance Summary - Table [i]

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	-0.8	-4.2	7.5
Benchmark	-0.8	-4.2	7.5
Relative	0.0	0.0	0.0

* Inception date 11 Mar 2015.

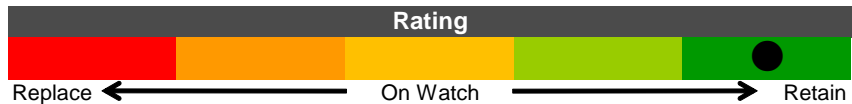
Performance Attribution Comment

The Index Linked Gilt fund delivered a negative performance of -0.8% over the third quarter of the year (in line with its benchmark) as yields broadly rose over the quarter, causing prices to fall. Over the 12 month period and since its inception, the fund remains in line with benchmark.



State Street - Fundamental Indexation

HR View Comment & Rating



We rate State Street's market cap and fundamental index-tracking equity capability at '5 – Preferred strategy'.

State Street has announced that Mike Karpik, Head of EMEA, has resigned and will leave the company at the end of this year following a 20 year service. Karpik is being replaced by Cuan Coulter, Chief Compliance Officer. We do not believe this will impact the management of any of State Street's index strategies and have no concerns over the news.

Page 18

Performance Attribution Comment

State Street's Fundamental Indexation Global Equity Fund returned 2.7% over the period to end September 2017, broadly in line with its benchmark, as expected from a passively managed fund. Over all longer periods considered, the fund remains broadly in line with benchmark.

Performance Summary - Table

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.7	17.0	13.9	11.9
Benchmark	2.8	17.1	13.9	12.0
Relative	-0.0	-0.1	-0.0	-0.1

* Inception date 06 Aug 2013.



Longview - Global Equity

HR View Comment & Rating



We rate Longview's Global Equity strategy at '5 – Preferred strategy'.

Longview have a flexible style and focused 35 stock portfolio. Their aversion to commodity sectors has served it well in spite of the more recent rally; that stance is unlikely to change. The strategy's regional positioning remains robust with circa 70% exposure to listed US equity (albeit lower when analysed by revenue) and zero exposure to the Far East / Japan. Nonetheless, we continue to have confidence in Longview's ability to manage its relative and absolute risk profile.

There were no significant developments over the quarter.

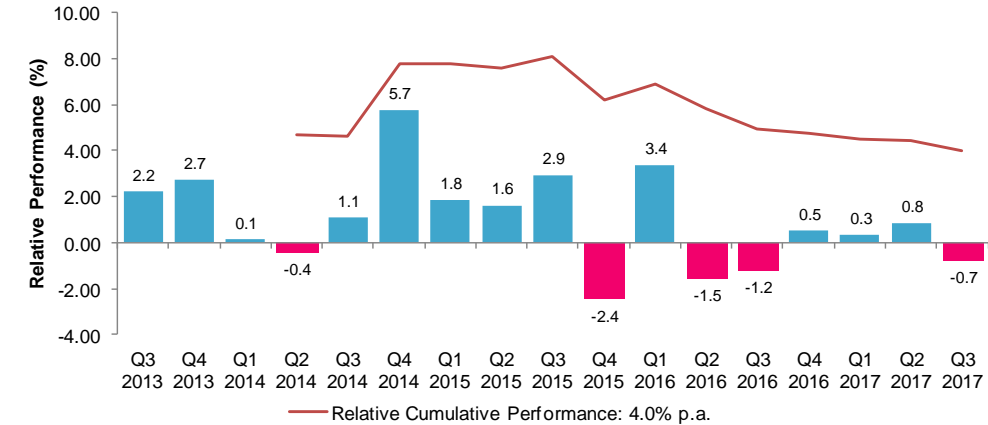
Performance Attribution Comment

During the third quarter of 2017, Longview's Global Equity portfolio returned 1.1%, underperforming the benchmark by 0.7%. Over all longer periods considered, the fund has outperformed the benchmark.

Holdings in the auto-parts company Continental had a positive impact on performance as it continues to benefit from the move to electric and self-driving cars. Discount chain store operator Dollar General also contributed to outperformance as it reported better than expected revenue and sales. Auto-parts company Delphi Automotive, like Continental, will benefit from the move to electric and self-driving cars and has reported better than expected results over the last quarter.

However, WPP, the advertising company detracted from returns amid advertising cuts at large consumer goods companies. Longview believe that there are no structural issues of concern and this will be a temporary setback for the company. The medical equipment company Zimmer Biomet Holdings Inc also underperformed this quarter as supply chain issues continued to impact sales. In addition, healthcare company MEDNAX detracted as weak revenues and increased cost pressures have dragged margins down.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary to 30 September 2017 [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.1	15.9	18.7	18.0
Benchmark	1.8	14.9	14.4	12.5
Relative	-0.7	0.9	3.7	5.0

* Inception date 16 Apr 2013.

Ruffer - Absolute Return

HR View Comment & Rating



We rate Ruffer's Absolute Return Fund at '5 - Preferred strategy'.
There were no significant developments over the quarter to 30 September 2017.

Page 20

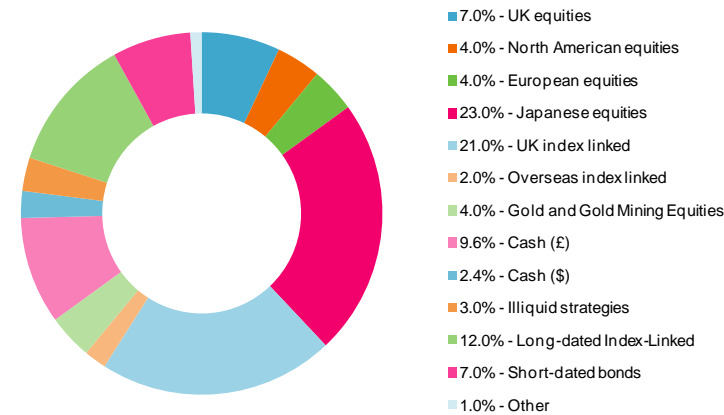
Performance Attribution Comment

The Ruffer Absolute Return Fund returned -0.5% over the quarter compared to its cash benchmark, resulting in an underperformance of 0.6%. Over the 12 month, 3 year periods and since inception, the portfolio remains comfortably ahead of its benchmark.

Global economic growth was strong over the quarter with most assets holding steady in relatively benign conditions. Central banks continued on the path of slowly raising interest rates even as wage growth continued to disappoint. The manager's protective strategies were the main detractor over the quarter, especially those designed to profit from falls in equity markets or rising asset price volatility. Inflation-linked bonds were another detractor.

At stock level, the portfolio's allocation to BP benefited from rising oil prices. It also benefited from its position in Vivendi, a company primarily focusing on digital entertainment, as the music industry performed well over the quarter. The manager continues to hold a cautious outlook and highlights a number of similarities between current conditions and those just before the financial crisis. The current positioning of the portfolio with its focus on downside protection is a clear manifestation of this outlook.

Asset Allocation

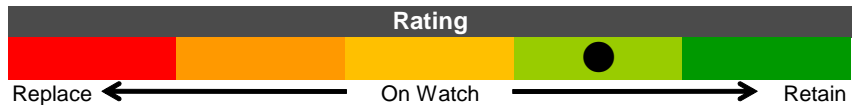


Performance Summary to 30 September 2017

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.5	2.4	4.1	5.1
Benchmark	0.1	0.2	0.4	0.5
Relative	-0.6	2.1	3.7	4.6

* Inception date 06 May 2010.

Hymans Robertson LLP
Newton - Absolute Return
HR View Comment & Rating



We rate Newton's Real Return Fund at '4 – Retain'. Newton has announced the appointment of Duncan Bulgin as Head of Research. Bulgin shared oversight of the research team at Newton with Roger Wilkinson but following a review has decided to make Bulgin sole head. Consequently, Wilkinson (like Peter Hensman) has left Newton to pursue other opportunities. Whilst this development does not change our opinion of the strategy, this is evidence of new CEO Hanneke Smits making changes as she attempts to grow the business. Newton has also announced that Curt Custard joined as its CIO from 14 August 2017. Custard joins from UBS Asset Management where he was Head of Global Investment Solutions. The decision to appoint a CIO is interesting considering it has operated without a CIO since Simon Pryke, left the business in 2015. We are due to meet CEO Hanneke Smits later in the month and will get more detail on the motivations behind this appointment before we comment further. In addition, Newton has announced that it has decided to absorb the cost of external research rather than passing it on to clients through higher fees. We believe this is a positive move by Newton that puts its clients' interests ahead of their own and would note that Newton was one of the first firms to publicly state they would be adopting such a policy.

Post quarter end, Newton announced that Iain Stewart's involvement within the Real Return strategy is to change. From the start of 2018, Suzanne Hutchins and Aron Pataki will be named as co-lead portfolio managers on the fund alongside Stewart. In addition, Hutchins will assume all of Stewart's people management responsibilities. From the start of Q3 2018, Stewart will no longer be a named portfolio manager on the fund and will instead solely focus on its macroeconomic strategy. Whilst the changes are being phased in over the next three quarters, the fact that Stewart's involvement in the fund is being reduced is a negative development. Whilst we have met Hutchins and Pataki a number of times over the years, Stewart is the most important person within the team and a reduction in his involvement reduces our conviction in the fund. We will continue to monitor the situation.

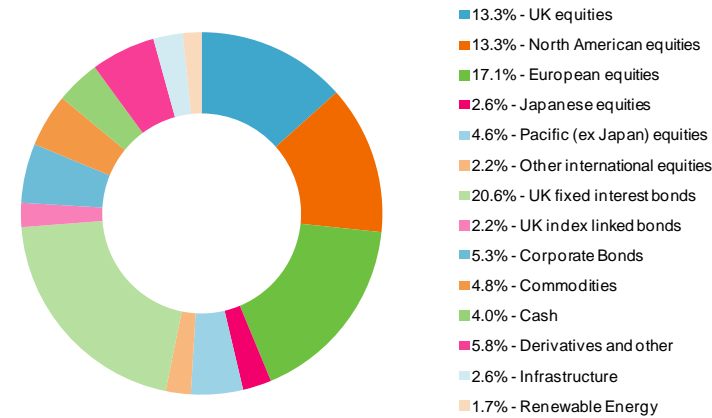
Performance Attribution Comment

The fund produced a return of -0.6% over Q3 2017. Over the 12 month period, the fund underperformed the cash target but over the 3 year period and since inception, the fund is ahead of target.

The fund's equity portfolio underperformed equity markets which were driven by more cyclical sectors. In addition, the portfolio's derivative position (used to reduce equity-market exposure) detracted from performance as the indices used for protection increased in value during the quarter. The fund's allocation to government bonds also detracted from performance, most notably due to US Treasuries which were negatively impacted by the weakening dollar and rising yields over the quarter. At stock level, the fund's holdings in Teva Pharmaceutical hurt performance due to the poorer outlook for the company's US business. The manager continues to hold Teva due to their belief in the new management team and strong franchising ability once the firm has resolved its debt issues. Offsetting this slightly was the fund's equity allocation although it underperformed wider equity markets. At stock level, strong performance was seen from Dong Energy, battery maker Samsung SDI and lithium producer Albemarle.

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

Asset Allocation [i]



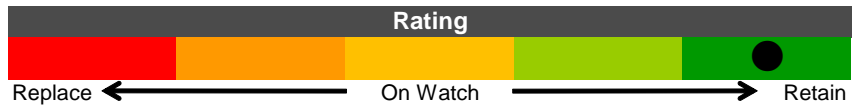
Performance Summary to 30 September 2017 [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-0.6	-2.1	3.4	4.6
Benchmark	0.1	0.2	0.4	0.5
Relative	-0.7	-2.3	3.0	4.1

* Inception date 06 May 2010.

M&G - Bonds

HR View Comment & Rating



We rate M&G Bonds at '5 – Preferred strategy'.

There has been no significant news to report to end 30 September 2017.

Page 22

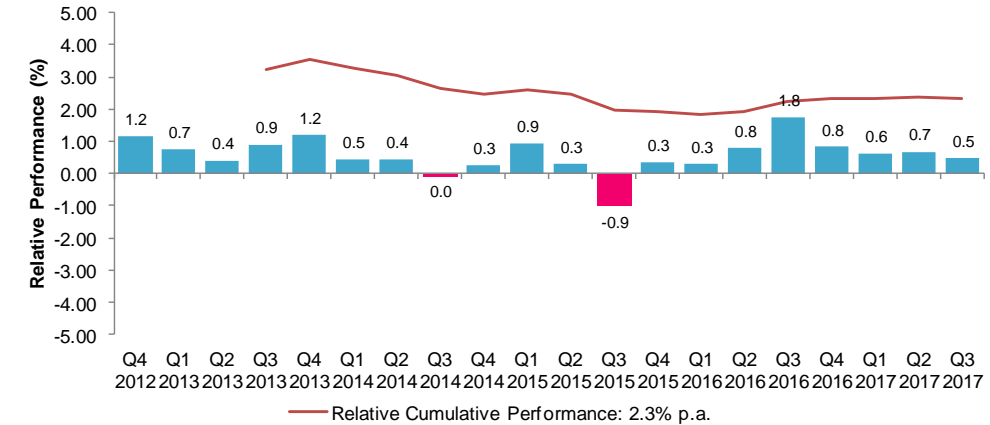
Performance Attribution Comment

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

Credit spreads continued to tighten further (driving corporate prices upwards) across major developed markets.

Aggregate performance of the two funds was positive and outperformed the aggregate benchmark by 0.5%. The aggregate performance is comfortably ahead of benchmark over the longer periods of three and five years.

Relative Quarterly and Relative Cumulative Performance



Performance Summary to 30 September 2017 ^[1] [i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Fund	0.5	1.8	6.7	6.4
Benchmark	0.0	-0.8	4.5	4.0
Relative	0.5	2.6	2.1	2.3

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

M&G - Bonds - Performance Attribution

Performance Attribution Performance [i]

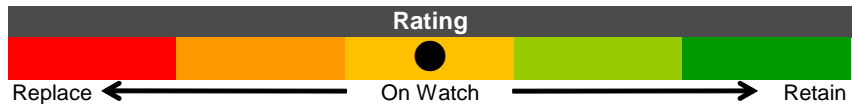
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute Benchmark	0.3	0.9	0.5
		0.0	0.1	0.0
	Relative	0.3	0.8	0.5
12 Months (%)	Absolute Benchmark	0.2	5.2	1.8
		-1.5	0.2	-0.8
	Relative	1.7	4.9	2.6
3 Years (% p.a.)	Absolute Benchmark	8.5	3.9	6.7
		7.3	0.4	4.5
	Relative	1.1	3.4	2.1
5 Years (% p.a.)	Absolute Benchmark	7.7	4.5	6.4
		6.7	0.4	4.0
	Relative	0.9	4.0	2.3

Source: [i] DataStream, Hymans Robertson



Schroders - Property

HR View Comment & Rating



We believe Schroder RECaP is a suitable manager of property assets but continue to have concerns over the long term viability of the business. In monitoring RECaP over the last 2 years, we highlighted a considerable threat to the business posed by the LGPS pooling initiative. LGPS make up two thirds of RECaP's client base and therefore we expect the viability of the RECaP business, at least in its current form, to be challenged by this initiative. We see this as a significant long term threat rather than immediate causing us to hold our "on watch" rating for much longer than normal.

Page 24

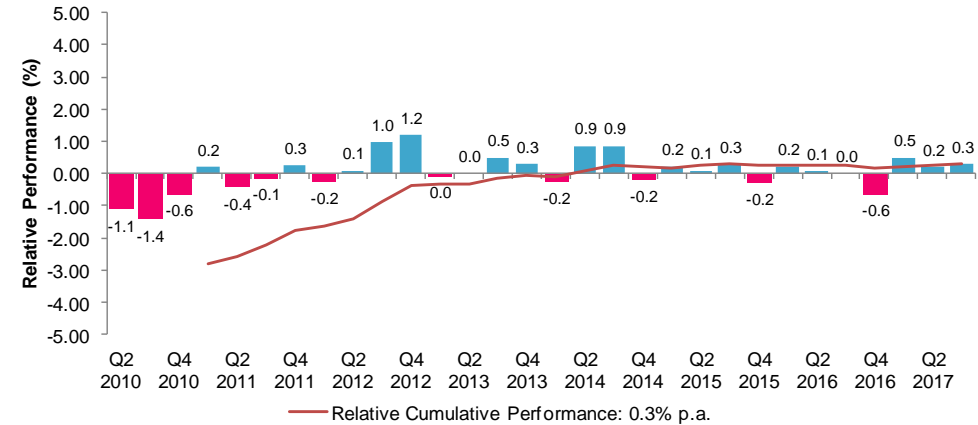
Performance Attribution Comment

Over the quarter to end September 2017, the property mandate outperformed the IPD benchmark by 0.3%, returning 2.7% in absolute terms. The portfolio remains ahead of benchmark over all longer periods considered.

The Industrial Property Investment Fund ('IPIF') positively contributed to performance over the quarter due to rental growth in the industrial sector. The Metro PUT also contributed to performance due to its large weighting to the industrials sector. The manager is currently looking to increase exposure to regional offices and over the quarter, made an additional £1m commitment to the Regional Office PUT.

The portfolio's cash holding was the weakest contributor to performance during the quarter due to the rising market. The Mayfair Capital PUT detracted as the manager purchased £3m worth of units in the fund and transaction costs impacted performance. Over the quarter, the manager sold units in the Aviva Investors Pensions Property Fund to reduce exposure to the underperforming balanced fund.

Relative Quarterly and Relative Cumulative Performance



Performance Summary to 30 September 2017

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.7	9.8	9.3	8.7
Benchmark	2.4	9.3	8.9	8.3
Relative	0.3	0.4	0.3	0.4

* Inception date 20 Feb 2010.

Summary of Alternative Funds

Adams St	2003 Non US Fund	HarbourVest	HIPEP 4 Europe	M&G	Infracapital
	2003 US Fund		HIPEP 5 Europe		UK Financing Fund
	2005 Non US Fund		HIPEP 6 Europe		
	2007 Direct Fund		HIPEP 7 Europe	UBS	International Infrastructure Fund
	2007 Non US Fund		HIPEP 8		
	2007 US Fund		HarbourVest Partners VII - Buyout		
	2008 Direct Fund		HarbourVest Partners VII - Mezzanine		
	2008 Non US Fund		HarbourVest Partners VII - Venture		
	2008 US Fund		HarbourVest Partners VIII - Buyout		
	2009 Direct Fund		HarbourVest Partners VIII - Mezzanine		
	2009 Non US Developed Markets Fund		HarbourVest Partners VIII - Venture		
	2009 Non US Emerging Markets Fund		HarbourVest Partners IX - Venture		
	2009 US Fund		HarbourVest Partners IX - Buyout		
	2010 Direct Fund		HarbourVest Partners IX - Credit Opps		
	2010 Non US Developed Markets Fund		HarbourVest CleanTech		
	2010 Non US Emerging Markets Fund		HarbourVest CleanTech II		
	2010 US Fund				
	2011 Direct Fund				
	2011 Non US Developed Markets Fund				
	2011 Non US Emerging Markets Fund				
	2011 US Fund				
	2013 Non US Developed Markets Fund				
	2013 Non US Emerging Markets Fund				
	2013 US Fund				
	2014 Global Fund				
	Co-Investment Fund II				



Performance Summary (gross of fees)

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

		L&G - Global Equities	Longview - Global Equity	State Street - Fundamental Indexation	L&G - UK Equities	Newton - Absolute Return	Ruffer - Absolute Return	L&G - 5yr ILG	M&G - Bonds	Schroder - Property	Total Fund
3 Months (%)	Absolute Benchmark	1.9 1.9	1.1 1.8	2.7 2.8	2.2 2.1	-0.6 0.1	-0.5 0.1	-0.8 -0.8	0.5 0.0	2.7 2.4	1.2 1.4
	Relative	0.0	-0.7	0.0	0.0	-0.7	-0.6	0.0	0.5	0.3	-0.2
12 Months (%)	Absolute Benchmark	15.4 15.5	15.9 14.9	17.0 17.1	12.4 11.9	-2.1 0.2	2.4 0.2	-4.2 -4.2	1.8 -0.8	9.8 9.3	9.2 8.4
	Relative	-0.1	0.9	-0.1	0.4	-2.3	2.1	0.0	2.6	0.4	0.8
3 Years (% p.a.)	Absolute Benchmark	15.1 15.1	18.7 14.4	13.9 13.9	8.7 8.5	3.4 0.4	4.1 0.4	7.5 7.5	6.7 4.5	9.3 8.9	10.8 9.2
	Relative	0.1	3.7	0.0	0.2	3.0	3.7	0.0	2.1	0.3	1.5
10 Years (% p.a.)	Absolute Benchmark	11.5 11.5	18.0 12.5	11.9 12.0	6.5 6.3	4.6 0.5	5.1 0.5	N/A N/A	7.2 5.0	8.7 8.3	6.7 5.8
	Relative	0.0	5.0	-0.1	0.2	4.1	4.6	N/A	2.0	0.4	0.9

[1] The table shows since inception returns in place of one year, three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period. Total fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total fund performance was calculated excluding private market investments. From Q3 2016 total fund performances has been calculated using estimated valuations for private market investments.

Summary of Benchmarks

Summary of Benchmarks

	Total Fund		Adams Street - Private Equity		Cash account		HarbourVest - Private Equity		L&G - 5yr ILG		L&G - Global Equities	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	38.0		-	-	-	-	-	-	-	-	100.0	0.0
UK Equity	12.0	-2.2	-	-	-	-	-	-	-	-	-	-
Fixed Interest	3.5		-	-	-	-	-	-	-	-	-	-
Index-Linked Gilts	5.0		-	-	-	-	-	-	100.0	0.0	-	-
UK Property	10.0		-	-	-	-	-	-	-	-	-	-
Infrastructure	2.0	-1.3	-	-	-	-	-	-	-	-	-	-
Private Equity	5.5		100.0	0.0	-	-	100.0	0.0	-	-	-	-
Absolute Return Funds	20.0	-2.9	-	-	-	-	-	-	-	-	-	-
Cash	0.0		-	-	100.0	0.0	-	-	-	-	-	-
UK Financing Fund	1.0	-1.0	-	-	-	-	-	-	-	-	-	-
Absolute Return Bonds	3.0	-0.8	-	-	-	-	-	-	-	-	-	-
Proportion of Total Assets	-	-	2.8	0.2	0.0	1.5	2.8	0.0	5.0	0.2	15.5	1.2

Summary of Benchmarks (Cont.)

Summary of Benchmarks

	L&G - UK Equities		Longview - Global Equity		M&G - Bonds		M&G - Infrastructure Fund		M&G - UK Financing Fund		Newton - Absolute Return	
	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %	Target %	Difference %
Global Equity	-	-	100.0	0.0	-	-	-	-	-	-	-	-
UK Equity	100.0	0.0	-	-	-	-	-	-	-	-	-	-
Fixed Interest	-	-	-	-	62.6	1.3	-	-	-	-	-	-
Index-Linked Gilts	-	-	-	-	-	-	-	-	-	-	-	-
UK Property	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	100.0	0.0	-	-	-	-
Private Equity	-	-	-	-	-	-	-	-	-	-	-	-
Absolute Return Funds	-	-	-	-	-	-	-	-	-	-	100.0	0.0
Cash	-	-	-	-	-	-	-	-	-	-	-	-
UK Financing Fund	-	-	-	-	-	-	-	-	100.0	0.0	-	-
Absolute Return Bonds	-	-	-	-	37.5	-1.3	-	-	-	-	-	-
Proportion of Total Assets	12.0	-2.2	5.0	2.1	6.5	-0.4	1.0	-0.9	1.0	-1.0	10.0	-1.5



Summary of Benchmarks (Cont.)

Summary of Benchmarks

	Ruffer - Absolute Return			Schroder - Property			State Street - Fundamental Indexation			UBS - Infrastructure		
	Target %	Difference %		Target %	Difference %		Target %	Difference %		Target %	Difference %	
Global Equity	-		-	-		-	100.0		0.0	-		-
UK Equity	-		-	-		-	-		-	-		-
Fixed Interest	-		-	-		-	-		-	-		-
Index-Linked Gilts	-		-	-		-	-		-	-		-
UK Property	-		-	100.0		0.0	-		-	-		-
Infrastructure	-		-	-		-	-		-	100.0		0.0
Private Equity	-		-	-		-	-		-	-		-
Absolute Return Funds	100.0		0.0	-		-	-		-	-		-
Cash	-		-	-		-	-		-	-		-
UK Financing Fund	-		-	-		-	-		-	-		-
Absolute Return Bonds	-		-	-		-	-		-	-		-
Proportion of Total Assets	10.0	-1.5		10.0	0.3		17.5	2.4		1.0	-0.3	

Benchmarks Summary Comment

The main points to note from this table are:

- The L&G global equity mandate is benchmarked against the FTSE All World Index. Longview is benchmarked against a similar index (the MSCI All Countries). The FTSE All World Index covers around 2800 global firms, with a large or mid size market capitalisation and constitutes around 90%-95% of the world's investible markets. The index focuses on around 45 different countries, including 24 in the so called developed markets, and 21 in the emerging markets. The approximate allocations of the index to the regional stock markets is as follows: 6% UK, 54% US, 16% Europe, 6% Asia (ex Japan), 8% Japan and 10% emerging markets.
- M&G does not allocate between the corporate bonds and the absolute return bonds which it manages. The target shown is an assumed target based on the size of the initial allocation of the Fund made to the M&G Alpha Opportunities fund (absolute return bonds).



Performance Calculation Explanation

Geometric vs Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

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

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

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

Using the arithmetic method

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

Using the geometric method

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

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

Review of Private Markets Investments

Executive Summary

This paper is addressed to the Officers and Pensions Committee (“Committee”) of the East Sussex Pension Fund (“the Fund”). It reviews the Fund’s private market investments and discusses the requirement for further commitments over the next year. The paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We cannot be held liable for any loss incurred by a third party relying on this paper without such permission.

As at 30 September 2017, the Fund had the following allocation to private markets, through private equity and debt and infrastructure.

Asset Class	Manager	30/09/2017 £m	Actual Proportion %	Target Proportion %
Private Equity	Adams Street	98.2	2.9	2.75
	Harbourvest	91.7	2.7	2.75
Infrastructure	M&G Infracapital	2.2	0.1	1.0
	UBS	22.0	0.7	1.0
Private Debt	M&G UK Financing Fund	1.5	0.0	1.0
	TOTAL	215.6	6.4	8.5

As outlined in the Fund’s investment beliefs, the Committee believes that long term investing provides opportunities for enhancing returns. Given this, it is important for the Committee to maintain the Fund’s private markets programme and to continue allocations to regular vintage year funds.

Solutions for investing in private equity, infrastructure and private debt through the ACCESS Pool may not be available for a few years yet so the need for maintaining private market allocations remains for the Fund. Our recommendations in terms of increasing target allocations are:

- **Private equity** – maintain target allocation of 5.5% by continuing to commit to one or more private equity funds on an annual basis
- **Infrastructure** – increase the current 2% allocation to 4% with the Fund being open to potential further increases in the future.
- **Private debt** – increase the current 1% allocation to 3% and then to 4-5% over the longer term.

We recommend that these new investments be funded by reducing the Diversified Growth Fund (“DGF”) target allocation over time. We also acknowledge that it will take quite a period of time to achieve the full target allocations.

Background

The Fund currently accesses private markets in three areas: infrastructure, private equity and private debt markets. As set out in the Fund's investment beliefs, there is a view that investors with long-term time horizons are typically less constrained by liquidity requirements and able to better withstand periods of price volatility. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid (e.g. property, infrastructure and private equity) or may be subject to higher levels of volatility (as a premium return is required for any such investments).

The strategy review earlier this year highlighted that, as the Fund matures, the Committee should look to increase its exposure to higher yielding assets. Also, in the current environment of relatively low expected returns where there is a risk of asset returns becoming more correlated with each other, we favour strategies that can provide attractive absolute returns through a strong and visible income stream. These are prevalent within the infrastructure and private debt asset classes, which lies behind our recommendation to increase the level of investment in the future.

This paper sets out our recommendations for maintaining the allocation to private equity and increasing over time the allocations to infrastructure and private debt.

Private equity

The Fund established the private equity programme in 2003 and has been committing assets in a gradual way since then. Adams Street and HarbourVest were selected to manage the Fund's private equity investments in 2003 following an extensive search for suitable "gate keepers". Private equity investment, given its illiquid, long-term nature, dictates that the Fund will need to maintain a lengthy relationship with these managers requiring extensive due diligence at the outset. Both managers remain highly rated by our manager research team.

The Fund has an allocation of 5.5% to private equity in its strategic benchmark. As at 30 September 2017, the value invested in private equity amounted to 5.6% of total assets, broadly in line with the strategic benchmark allocation. The gradual investment cycles over which private equity funds tend to operate mean that any target allocation can only be maintained within a broad range.

The portfolio includes investments in 42 private equity funds, including the specialist allocation to the Cleantech sector via the HarbourVest Cleantech and Cleantech II funds.

Commitments to date

The table overleaf provides a breakdown of the Fund's private equity portfolio. These figures are based on data collated each year for the Fund's accounts. As at 31 March 2017, the Fund had committed £396m to these funds (of which approximately £318m has been drawn and invested). The amounts committed to each fund were fixed in either US dollar or euro terms during the commitment phase of each fund. The committed amounts (and the net asset values) will therefore fluctuate with changes in exchange rates.

The net asset value of drawn down and invested assets was approximately £190m at 31 March 2017, equivalent to 5.7% of the Fund. The Fund's private equity portfolio, after 14 years of investment, has reached the point where its holdings in the more mature funds are now in the 'distribution phase' of returning cash to investors. Table 1 shows this; the most mature funds are listed at the top of each section and are characterised by their higher percentage of capital drawn down (fourth column) and higher cash distributions (last column) relative to the initial commitment.

The more mature funds represent a significant proportion by value of the Fund's current exposure to private equity. To help counterbalance the expected reduction in exposure to these funds, the Fund has continued to commit to newer funds which are more immature and are yet to draw down the majority of commitments.

Manager	Fund	Accounting valuations as at 31/03/2017				
		Commitment (millions)	Outstanding Commitment (millions) ⁽¹⁾	Capital Drawdown (millions) ⁽¹⁾	Market Value (millions) ⁽²⁾	Cumulative Distributions (millions) ⁽¹⁾
Adams Street	2003 Non US Fund	\$32.00	\$1.44	\$30.560	£4.84	\$42.04
	2005 Non US Fund	\$11.00	\$0.54	\$10.456	£3.28	\$9.78
	2007 Non US Fund	\$13.50	\$0.80	\$12.697	£6.82	\$8.96
	2008 Non US Fund	\$11.50	\$1.51	\$9.988	£6.99	\$5.05
	2009 Non US Developed Markets Fund	\$6.75	\$1.22	\$5.528	£3.44	\$2.55
	2009 Non US Emerging Markets Fund	\$1.50	\$0.28	\$1.223	£1.16	\$0.17
	2010 Non US Developed Markets Fund	\$6.70	\$1.29	\$5.410	£3.44	\$2.30
	2010 Non US Emerging Markets Fund	\$1.70	\$0.38	\$1.324	£1.26	\$0.15
	2011 Non US Developed Markets Fund	\$6.00	\$1.52	\$4.476	£2.96	\$1.60
	2011 Non US Emerging Markets Fund	\$1.50	\$0.46	\$1.040	£1.01	\$0.01
	2013 Non US Developed Markets Fund	\$11.50	\$5.58	\$5.923	£4.48	\$0.74
	2013 Non US Emerging Markets Fund	\$2.90	\$1.16	\$1.736	£1.50	\$0.00
	2014 Global Fund	\$29.00	\$14.75	\$14.254	£10.89	\$1.51
	Sub-total non US				£82.27	
HarbourVest	HIPEP 4 Europe	9.00 €	0.32 €	8.685 €	€0.99	13.92 €
	HIPEP 5 Europe	23.40 €	1.17 €	22.230 €	€7.43	25.49 €
	HIPEP 6 Europe	22.00 €	3.69 €	18.315 €	£16.54	7.33 €
	HIPEP 7 Europe	\$18.50	\$11.98	\$6.521	£5.25	\$0.40
	HIPEP 8	\$40.00	\$0.00	\$0.000	£0.00	\$0.00
Adams Street	2003 US Fund	\$32.00	\$1.60	\$30.400	£7.27	\$38.62
	2007 US Fund	\$11.50	\$0.62	\$10.879	£6.17	\$10.32
	2007 Direct Fund	\$2.00	\$0.07	\$1.931	£1.00	\$2.56
	2008 US Fund	\$9.50	\$0.88	\$8.618	£5.51	\$7.87
	2008 Direct Fund	\$2.00	\$0.07	\$1.927	£1.25	\$2.53
	2009 US Fund	\$6.75	\$1.09	\$5.657	£4.45	\$2.90
	2009 Direct Fund	\$0.75	\$0.03	\$0.722	£0.42	\$0.72
	2010 US Fund	\$8.40	\$1.82	\$6.577	£5.51	\$2.84
	2010 Direct Fund	\$3.40	\$0.25	\$3.152	£1.75	\$2.67
	2011 Direct Fund	\$3.00	\$0.35	\$2.655	£2.10	\$1.91
	2011 US Fund	\$7.50	\$1.80	\$5.700	£4.75	\$1.68
	2013 US Fund	\$14.40	\$6.47	\$7.934	£6.36	\$0.45
	Co-Investment Fund II	\$4.00	\$0.43	\$3.572	£1.67	\$5.14
	HarbourVest Partners VII - Buyout	\$16.50	\$0.91	\$15.593	£3.34	\$21.40
	HarbourVest Partners VII - Mezzanine	\$3.00	\$0.18	\$2.820	£0.54	\$3.25
	HarbourVest Partners VII - Venture	\$8.50	\$0.15	\$8.351	£2.76	\$9.78
HarbourVest	HarbourVest Partners VIII - Buyout	\$12.00	\$0.72	\$11.280	£4.74	\$11.61
	HarbourVest Partners VIII - Mezzanine	\$1.90	\$0.08	\$1.824	£0.52	\$1.85
	HarbourVest Partners VIII - Venture	\$4.60	\$0.09	\$4.508	£2.70	\$4.10
	HarbourVest Partners IX - Venture	\$11.00	\$1.93	\$9.075	£7.82	\$2.51
	HarbourVest Partners IX - Buyout	\$22.00	\$8.75	\$13.255	£9.81	\$4.56
	HarbourVest Partners IX - Credit Opps	\$3.50	\$1.35	\$2.153	£1.45	\$0.83
	HarbourVest CleanTech	\$23.00	\$0.98	\$22.023	£16.33	\$1.39
	HarbourVest CleanTech II	\$32.00	\$19.04	\$12.960	£9.53	\$0.20
	Sub-total United States				£107.75	
Total					£190.03	

Further commitments

We propose that the Fund continues to commit to new private equity funds in order to maintain the target allocation of 5.5%. Both Adams Street and HarbourVest launch suitable funds on a regular basis.

Adams Street

Adams Street have carried out forecasts under different scenarios as to the level of commitments which are likely to be required in order to maintain their target allocation of 2.75%. This modelling is shown in the Appendix. The manager has taken into account their expectations of the rate of draw down and distributions from all the current investments. Their current estimate is that commitments in the region of \$60m (£45m) will be required in 2018.

The following Adams Street funds are available for investment within the next year.

Fund	Description	Timing	Comments
Global Fund 2018	Adams St's flagship fund of funds ('FoF') including all sub-strategies.	There is always a Global Fund open throughout the year. 2017 Global Fund closed in late November 2017. 2018 Global Fund will open in December 2017.	This is equivalent to the core US / Non-US strategy that the Fund has invested in historically with Adams Street.
US Small Market Buyout II	FoF focused on US Small buyouts and co-investments	Launches mid 2018	Specialist sub-strategy.
Venture Innovation Fund II	FoF focused on venture capital and opportunistic secondaries.	Launches November 2017	Specialist sub-strategy.
Venture/ Growth Fund VII	Direct fund focused on venture/ growth equity investments in IT and healthcare.	Launches late 2018	Specialist sub-strategy.
Co-Investment Fund VI	Direct fund investing directly in companies in buyout and growth equity deals.	Fund has just launched. Likely open through 2018.	This is equivalent to the Co-Investment Fund II the Fund is invested in.
Private Credit Fund	Direct fund focused on diversified US mid-market sponsored transactions. Shorter time frame than other funds.	Final close in April 2018	We may consider separately in relation to any allocation to private debt.
GSF 6 Secondaries Fund 6	Direct secondary transactions.	Final close in late March 2018	Specialist sub-strategy

Our preference is to continue investing in the manager's core Global programme rather than begin investing in more specialist funds. Under ACCESS, a more diversified and specialist private equity programme may be more feasible.

HarbourVest

HarbourVest has also provided similar analysis based on the Fund maintaining the target allocation of 2.75%. The analysis is shown in the Appendix.

Their current estimate is that commitments in the region of \$50m (£38m) will be required in 2018.

The following HarbourVest funds are available for investment within the next year.

Fund	Description	Timing	Comments
Fund XI	US focused. 80% primary investments with the balance secondary and direct co-investments.	Closes early 2019.	This is the manager's core US fund.
HIPEP VIII	50% Europe, 35% Asia, 15% ROW. 80% primary investments with the balance secondary and direct co-investments.	Launched September 2016. Closes early 2018.	This is the manager's core non-US fund. The Fund committed to this fund in early 2017.
Co-Investment Fund V	Global, diversified direct co-investment portfolio.	Launches early 2018.	Specialist fund
Mezz Income Fund II	Diversified portfolio of mezzanine co-investments primarily in US based small to mid-markets companies.	Launches early 2018.	Specialist fund
Real Assets IV	Global secondaries in real assets (energy, infrastructure agriculture, timber).	December 2018	Separate strategy for alternative assets.
Global Fund 2018	60% US, 30% Europe, 10% Asia. 50% primary, 35% secondary, 15% directs.	December 2017	Global fund

Our preference at this stage is to focus on the two core vehicles as previously – Fund XI (US) and HIPEP VIII (non-US). Again, the ability to broaden the private equity exposure through more specialist funds might be pursued within asset pooling.

Earlier this year, the Fund made a commitment to the HIPEP VIII fund. **We recommend that commitments in 2018 are made to Fund XI.**

Infrastructure

The Fund's infrastructure investment programme was established in early 2008. Infrastructure funds typically operate in much the same way as a private equity fund in that any target exposure can only be achieved gradually. The Fund's infrastructure portfolio is much simpler than for the Fund's private equity - it consists of allocations to two funds; the M&G Infracapital Fund and the UBS International Infrastructure Fund. As at 30 September 2017, the infrastructure portfolio formed 0.7% of the Fund's assets, underweight to the Fund's target of 2%.

Unlike with private equity, the Fund has not appointed managers to provide a regular supply of eligible funds. Both investments are in direct funds (i.e. they own underlying infrastructure assets rather than operating on a fund-of-funds basis). The M&G fund has been realising assets and returning cash to investors and, as a result,

the remaining investment is valued at only £2.2m. The UBS fund is also quite mature and will also be distributing cash to investors.

It is anticipated that the way in which funds access infrastructure investments will change once asset pooling is implemented. In the meantime, we propose increasing the target allocation to infrastructure to 4%, with further increases possible after pooling

Further commitments

We propose that the Committee aim to top up their allocations to their existing managers, UBS and M&G, when opportunities are available. M&G have just started fund-raising for a new fund, whilst UBS are due to launch an infrastructure fund in the first half of 2018. We are comfortable with credentials of both managers and their new funds (subject to further due diligence on fund specifics). These will help the Fund get closer to the 2% strategic target.

Unfortunately, it will take some considerable time for these new funds to draw down on any commitments made at the start of their fund-raising period. We are also suggesting that the Fund increases its strategic allocation to infrastructure, as part of the direction of travel towards more yield-driven asset classes. As an initial move, we are recommending a target allocation of 4% of Fund assets.

In order to achieve this, it would be necessary to seek funds where it is possible to get money invested more quickly, such as funds that have been fund-raising already for some time and are already making investments. We have highlighted some funds which would meet this requirement below and could provide more detailed research papers if the Committee wish to go down this route. There may be implications for the open-ended funds from the pooling process. The other funds are focusing on secondary investments – buying existing portfolios from other investors.

Manager	Fund	Description	Timescales
JP Morgan	Infrastructure Investments Fund (IIF)	Open-ended.	Expected drawdown period of 3 - 6 months
IFM	Global Infrastructure Fund (GIF)	Open-ended.	Expected drawdown period of 12 – 18 months
Stafford Capital	Infrastructure Secondaries Fund	Global fund of secondaries strategy. Would be complementary to other closed and open-ended strategies	Expecting to have final close in March 2018
Pantheon	Infrastructure Fund	Global fund of secondaries strategy. Would be complementary to other closed and open-ended strategies	A further close before the year end and a final close is expected at some point in 2018

Private Debt

The Fund's investment in M&G's UK Financing Fund makes up 0.04% of the Fund's assets as at 30 September 2017 against a target allocation of 1%. This fund has been gradually maturing and distributing capital to its investors.

Investments in private debt work in a similar way to the Fund's other private market investments. Capital is committed to a fund and then drawn down over a period of time (when loans are made to companies). Draw down tends to be much quicker (12-18 months) than for private equity and infrastructure. A high level of income flows back to the Fund as interest payments are made on the loans and capital is repaid in full at the end, with the fund being subsequently wound up. In order to maintain a target allocation, commitments need to be made to new funds on a regular basis.

Our current expected returns exceed those available from traded bonds of equivalent credit quality and come close to our long term expected returns from equities (circa 6% p.a.). The returns are delivered primarily through a relatively predictable income stream. This makes us to be strongly supportive of the Fund increasing its target allocation to this asset class.

Further commitments

As mentioned above, the M&G Financing fund is now in run-off. We continue to view M&G favourably for this asset class and propose that the Fund commit to another of M&G's private debt funds, the Debt Solutions Fund ("DSF") which is a European direct lending fund. The fund predominantly invests in loans to small and medium-sized enterprises (SMEs) across Europe. This differs slightly to the UK Financing Fund which concentrated more on senior debt in the UK alone. We are comfortable with the strategy of the DSF and with how M&G as a team manage their private debts funds.

The capacity of new private debt funds tends to be limited as the managers are usually keen to invest the capital over a reasonably short period of time. In order to start establishing a higher target allocation to this asset class, this could require commitments of up to £100m. A commitment of this size is unlikely to be possible to the DSF fund (and arguably would be too large a commitment to a single fund). There are other managers raising similar funds at the moment and M&G also have alternative funds with varying risk / return characteristics, all falling within the broad term of private debt. We can provide further recommendations on how to implement a programme following discussions with the Committee.

Implementation

In order to fund the proposed increments to the infrastructure and private debt target allocations, we would propose gradually reducing the absolute return fund target allocation (which currently stands at 20% split equally between Ruffer and Newton).

Next steps

In this paper, we have made recommendations for the Committee in order to maintain or increase the target allocations to private markets.

Private equity

- Maintain the current allocation of 5.5% by continuing to commit to the Fund's current managers, HarbourVest or Adams Street, in 2018.

Infrastructure

- Aim to increase the target allocation from 2% to 4% in the short term with a view to increasing this further post pooling.

- The Fund's current managers have funds which are only at the early stages of fund-raising. In the meantime, the Committee should consider additional managers / funds in order to get 'money in the ground' more quickly. We can provide a more detailed paper on the available funds.

Private debt

- Aim to increase target allocation from 1% to 3% - by committing in the short term to M&G's Debt Solutions Fund (DSF) and also additional commitments as required.

We look forward to discussing this paper with the Committee at the next meeting on 27 November.

Prepared by:-

William Marshall, Partner

Paul Potter, Partner

Kirsty Moffat, Investment Analyst

November 2017

For and on behalf of Hymans Robertson LLP

Appendix – Projections for private equity programmes

Adams Street

Scenario 1 – subscription of \$60m to the 2018 Global Fund plus annual commitments to the Global Fund

Year	Annual Subscription	Subscription Draws	Subscription Distributions	Net Cash Flow	Ending NAV	Program Size	PE Weight	
2017	20.00	\$16.3	\$27.6	\$11.3	\$130.0	\$4,556.5	2.85%	✓
2018	60.00	\$18.7	\$42.2	\$23.5	\$129.8	\$4,761.5	2.73%	✓
2019	40.00	\$23.9	\$42.8	\$18.9	\$128.5	\$4,975.8	2.58%	
2020	40.00	\$26.7	\$42.7	\$16.1	\$130.7	\$5,199.7	2.51%	
2021	30.00	\$31.2	\$42.6	\$11.4	\$138.8	\$5,433.7	2.55%	
2022	30.00	\$38.6	\$42.7	\$4.1	\$155.8	\$5,678.2	2.74%	✓
2023	40.00	\$34.5	\$48.0	\$13.5	\$165.9	\$5,933.8	2.80%	✓
2024	40.00	\$36.0	\$51.6	\$15.6	\$175.7	\$6,200.8	2.83%	✓
2025	40.00	\$35.6	\$55.5	\$19.9	\$182.7	\$6,479.8	2.82%	✓
2026	50.00	\$36.7	\$58.5	\$21.8	\$189.0	\$6,771.4	2.79%	✓
2027	50.00	\$40.7	\$60.5	\$19.8	\$198.4	\$7,076.1	2.80%	✓
2028	50.00	\$42.8	\$63.1	\$20.4	\$208.5	\$7,394.5	2.82%	✓
2029	50.00	\$44.5	\$66.2	\$21.8	\$218.6	\$7,727.3	2.83%	✓
2030	50.00	\$47.6	\$69.6	\$21.9	\$230.0	\$8,075.0	2.85%	✓

USD Millions

NAV weight between 2.65% - 2.85%

Scenario 2 – subscription of \$30m to the 2018 Global Fund and \$30m to Co-Investment Fund IV plus annual commitments to the Global Fund only

Year	Annual Subscription	Subscription Draws	Subscription Distributions	Net Cash Flow	Ending NAV	Program Size	PE Weight	
2017	20.00	\$16.3	\$27.6	\$11.3	\$130.0	\$4,556.5	2.85%	✓
2018	60.00	\$23.2	\$41.7	\$18.5	\$134.5	\$4,761.5	2.82%	✓
2019	40.00	\$26.8	\$42.7	\$15.9	\$136.2	\$4,975.8	2.74%	✓
2020	40.00	\$27.2	\$44.0	\$16.8	\$138.9	\$5,199.7	2.67%	✓
2021	30.00	\$31.3	\$45.4	\$14.1	\$146.1	\$5,433.7	2.69%	✓
2022	30.00	\$33.1	\$46.6	\$13.5	\$155.6	\$5,678.2	2.74%	✓
2023	40.00	\$34.5	\$50.0	\$15.5	\$164.5	\$5,933.8	2.77%	✓
2024	40.00	\$36.0	\$52.9	\$16.9	\$173.3	\$6,200.8	2.80%	✓
2025	40.00	\$34.5	\$56.1	\$21.6	\$178.4	\$6,479.8	2.75%	✓
2026	50.00	\$36.2	\$58.5	\$22.4	\$183.6	\$6,771.4	2.71%	✓
2027	50.00	\$40.4	\$60.1	\$19.7	\$192.5	\$7,076.1	2.72%	✓
2028	50.00	\$42.6	\$62.6	\$20.0	\$202.4	\$7,394.5	2.74%	✓
2029	50.00	\$44.4	\$65.5	\$21.1	\$212.7	\$7,727.3	2.75%	✓
2030	50.00	\$47.5	\$66.5	\$18.9	\$226.6	\$8,075.0	2.81%	✓

USD Millions

NAV weight between 2.65% - 2.85%

Harbourvest

Years Ending	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
NAV										
Total AUM	\$3,922	\$4,079	\$4,242	\$4,412	\$4,586	\$4,772	\$4,962	\$5,161	\$5,367	\$5,582
Existing HarbourVest NAV	\$82	\$84	\$89	\$98	\$108	\$119	\$131	\$141	\$148	\$156
Total Private Equity NAV	\$82	\$84	\$89	\$98	\$108	\$119	\$131	\$141	\$148	\$156
Commitments										
Commitments	\$50	\$0	\$50	\$50	\$0	\$50	\$50	\$0	\$50	\$0
Cumulative Commitments	\$304	\$304	\$354	\$404	\$404	\$454	\$504	\$504	\$554	\$554
Capital Calls										
Existing Investments	-\$16	-\$17	-\$22	-\$25	-\$27	-\$30	-\$31	-\$32	-\$34	-\$32
Total Capital Calls	-\$16	-\$17	-\$22	-\$25	-\$27	-\$30	-\$31	-\$32	-\$34	-\$32
Distributions										
Existing Investments	\$26	\$26	\$28	\$28	\$32	\$35	\$36	\$41	\$46	\$46
Total Distributions	\$26	\$26	\$28	\$28	\$32	\$35	\$36	\$41	\$46	\$46
Net PE Cash Flows	\$9	\$9	\$7	\$3	\$4	\$5	\$5	\$9	\$12	\$14
Total PE Invested as % of Total AUM										
PE +/- Target Allocation	2.1%	2.1%	2.1%	2.2%	2.3%	2.5%	2.6%	2.7%	2.8%	2.8%
	-0.7%	-0.7%	-0.7%	-0.5%	-0.4%	-0.3%	-0.1%	0.0%	0.0%	0.1%

This page is intentionally left blank

Proposed equity allocations

Introduction

This paper is addressed to the Pensions Committee (“the Committee”) of the East Sussex Pension Fund (“the Fund”). It should not be disclosed to any third parties without our prior written permission. We accept no liability to any third party relying on the advice or recommendations in this paper.

Background

In this paper, we have reviewed the target allocations for the Fund’s equity investments against the background of the following:-

- The appointment by ACCESS of UBS as the provider of passive (index tracking) management services to funds as part of pooling. The intention is for each participating fund to arrange transfer of their passively managed assets to UBS in the first half of 2018.
- The discussions with the Committee on potentially introducing ‘low carbon’ equity funds into the Fund’s structure, particularly for equity assets managed on a passive basis.
- The discussions with the Committee regarding the scale of exposure to the US stock market and US dollar in the current structure.

Current equity allocation

The Fund’s current equity mandate allocations are as follows:-

		Target allocation (% of equities)	Target allocation (% of Total Fund)	Actual allocation* (% of Total Fund)
Longview	Active Global Equity	10	5.0	7.1
Legal & General	Passive – UK Equity	24	12.0	9.8
Legal & General	Passive – Global Equity	31	15.5	16.7
State Street	Passive – Global Equity – RAFI 3000 Index	35	17.5	19.9
		100	50.0	53.5

*As at 30 September

The split between active and passive management within equities is currently 10%/90%. However, we have recommended previously that the Committee look to increase the relative allocation to active management when funds are available through the ACCESS pool.

Market movements over the last year have led to an overweight allocation to the global mandates and an underweight allocation to the UK mandate. A rebalancing from global equities into absolute return funds is being implemented this quarter.

If we take the benchmarks for each of the mandates, then we can calculate the benchmark allocations to each of the regional equity markets on the basis of (1) allocations being in line with targets and (2) the actual position at 30 September, as follows:-

	At target allocations (%)	Actual allocations at 30 September (%)		% global market capitalisation (for reference) – FTSE All World
UK	29.7	24.5		6.2
N America	37.5	40.3		54.3
Europe ex UK	14.0	15.0		15.7
Japan	7.0	7.5		8.3
Asia ex Japan	4.5	4.8		5.9
Emerging Markets	7.3	7.9		9.6

Proposals

Low carbon equity funds

In our discussions at the last Committee meeting, we highlighted a number of passively managed equity funds which attempted in various ways to reduce the 'carbon footprint' of the underlying investments. Some of these funds adopted different indices – constructed using an alternative methodology; others attempted to track 'conventional' market cap based indices whilst exercising a form of 'low carbon' overlay. The UBS fund which we featured falls into the latter category.

The **UBS Climate Aware World Equity fund** aims to deliver returns broadly in line with the global FTSE Developed Index, though holdings in the underlying constituents of the index will be varied depending on their expected contributions to climate change. The anticipated tracking error around the index of the fund is +/-0.5% p.a. If these objectives are achieved, then the Committee can expect the same long term returns from this fund as they would from a conventional market cap based investment in developed market equities. A fuller explanation of the fund's approach is contained within the UBS brochure – attached as an appendix.

The UBS fund is relatively new, as are many in this specialist area. Its inception date was February 2017 and at the end of September it had only £200m of assets. Over its (very short) life, it has delivered a return 0.22% above its benchmark index. UBS are still to confirm the annual charges for investing in this fund as it did not form part of their tender submission to ACCESS.

Further to our previous discussions on carbon exposure – proposing that active managers retain responsibility for stock selection and review the Fund's approach to passive investment, an allocation to this fund would be a positive way of implementing change within the Fund's equities.

US exposure and regional weights

In terms of achieving a better balance of investment across regions, we would have a preference for a lower allocation to UK equities than implied under current target allocations (29.7% above) – preferring the 20%-25% level as held at the moment.

The high US allocation is consistent with the large market capitalisation of the US stock market. However, we believe there is an argument for equity portfolios being more evenly balanced over time between regions based on relative economic weights rather than pure stock market size. This would argue for a lower US weighting in the 30% rather than the current 40%, and a slightly higher allocation to Europe.

Elsewhere, we would want to ensure a material allocation to emerging markets is maintained. The FTSE Developed index (the UBS benchmark) has no exposure to emerging markets so any new investment in the Climate Aware fund would require an increased emerging markets allocation elsewhere in mandates.

We also need to bear in mind that the Committee may decide to fund a new active global equity manager within the ACCESS pool, funded from the passive equity investments, which may be managed against a market cap based global index.

Potential allocations

We have set out allocations below which comprise investment in three types of passive equity fund with UBS:-

- Market cap based regional index funds
- RAFI 3000 World index fund
- Climate Aware World Equity fund (subject to Committee discussion and clarity on fees)

In terms of implementation, the Committee can agree target allocations to the Longview mandate and the RAFI 3000 and Climate Aware funds, and those mandates will be invested in line with the relevant benchmarks. The Committee can then agree overall target allocations on a regional basis, and the investments in the regional index funds with UBS can be determined in order to achieve the overall targets.

- We propose that the allocation to Longview is maintained at the current level – namely 7% of the Fund (and 14% of total equities).
- We have proposed that the current State Street RAFI allocation is divided equally between the UBS RAFI product and a holding in the Climate Aware fund – maintaining the combined allocation of 20% of the total Fund.
- We have suggested a new target regional split in line with our comments above as follows^[1]:-

	At current target allocations (%)	Actual allocations at 30 September (%)	Proposed new target allocations (%)
UK	29.7	24.5	25
N America	37.5	40.3	35
Europe ex UK	14.0	15.0	20
Japan	7.0	7.5	7
Asia ex Japan	4.5	4.8	5
Emerging Markets	7.3	7.9	8

^[1] Target at time of investment. The underlying regional split of the global benchmark move over time, reflecting market movements.

The implied breakdown of investments arising from the above is shown below.

		New target allocation (% of equities)	New target allocation (% of Total Fund)
Longview	Active Global Equity	14	7.0
UBS	Passive – Global Equity – RAFI 3000 Index	20	10.0
UBS	Passive - Climate Aware World Equity fund	20	10.0
UBS	Passive – Regional (market cap) index funds	46	23.0
		100	50.0

We are aware that a number of different iterations are possible with the above but regard this as a useful starting point to aid discussions.

We will be able to calculate and reconfirm detailed allocations and benchmarks for implementation of alternative targets following discussions at the meeting.

We look forward to discussing these issues with the Committee.

Prepared by:-

Paul Potter, Partner

William Marshall, Partner

November 2017

For and on behalf of Hymans Robertson LLP

Risk Warning

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

Forward Thinking

A new climate aware, rules-based equity fund

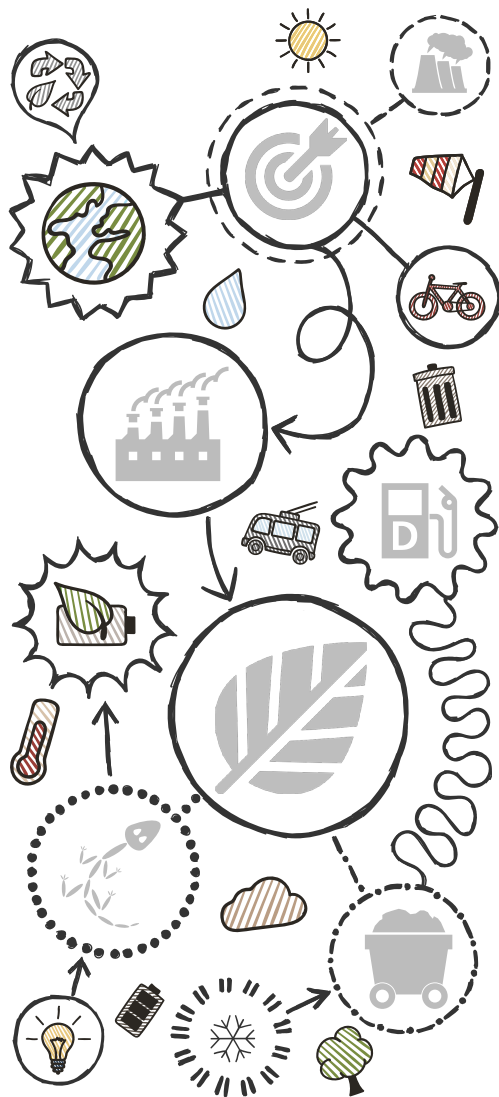


"The clear and present danger of climate change means we cannot burn our way to prosperity. We already rely too heavily on fossil fuels. We need to find a new, sustainable path to the future we want."

Ban Ki Moon,
Secretary-General of the United Nations 2007 - 2016

Climate aware

It is generally accepted that the world's climate is changing due to rising man-made emissions of greenhouse gases (GHGs), particularly carbon dioxide (CO₂). The largest single source of CO₂ emissions is the combustion of fossil fuels – coal, oil and gas. But how has the global community responded, and what are the implications for investors?



A global reponse

In December 2015, more than 190 nations met in Paris at the Conference of the Parties to the UNFCCC, or COP 21. In a landmark agreement, they undertook to strengthen the global climate effort. The Paris Agreement, as it is commonly known, defined the ways in which countries will implement those commitments after 2020. Its objective was to restrict the increase in global average temperature to below 2 degrees Celsius (2°C) above pre-industrial levels, while attempting to ensure that temperature increase is limited to no more than 1.5°C.

The 2°C target considers not just carbon emission reductions. It also involves:

- a transition from fossil fuel related CO₂ emissions to renewable sources of energy
- a transition path reflected in the reduction rates for GHG emissions over the coming decades

Reaching the Paris Agreement was the culmination of almost 23 years of international efforts by the UN to establish a collective response to the issue of climate change. It was a path marked by failed pledges and ineffectual treaties, with those nations responsible for the greatest emissions refusing to participate. What the Paris Agreement achieved was a legally binding framework.

It has been argued the terms are not perfect – the agreed cap on temperature increase of 2°C has been seen as too loose and many would prefer the cap to have been set at 1.5°C. Nonetheless, it has still been hailed as an important milestone in the efforts to address climate change.

Finding answers

Investment implications

What does climate change and the Paris Agreement mean for investors?

Irrespective of one's views on climate change, the Paris Agreement crystallises it as a key investment risk, bringing climate change, with a focus on carbon reduction, up the agenda. The risks extend across the investment universe, from equities through to corporate bonds, property and, potentially, government bonds.

As a result, many investors are now setting explicit targets for reducing the carbon footprint of their portfolio. Or, to look at it another way, they are targeting the overall long-term transition to a low GHG emission economy.

Clear targets like these also reflect investors' growing desire for their investment policy decisions to have an overall positive impact on society without compromising their mandated goal of wealth generation/preservation. Hence the growing trend towards making sustainable investing practice an integral component of the construction of an investment mandate.

Introducing an innovative new solution from UBS

We recognise the magnitude of these potential threats to investors, particularly those institutional investors for whom a reduction in investment values jeopardises the member benefits which they have been mandated to achieve. In response, we have launched the UBS Life Climate Aware World Equity Fund. This innovative new fund is designed to capitalise on the long-term transition to a low GHG emissions economy and invest more in companies at the heart of this transition, as well as those adapting to help provide the future we all want to live in.

This new fund aims to deliver returns broadly in line with the FTSE Developed Index with a target tracking error of +/-0.50%. Our approach allows us to increase or decrease exposure to the index constituents based on their expected contribution to climate change.

To achieve these increased or decreased exposures, the fund applies a tilt.

A 'negative' tilt is used to reduce the size of the investment in companies such as:

- those that have worse than average GHG emissions when converted to tonnes of CO₂ equivalent
- companies producing energy from coal
- companies with reserves of coal, oil and gas

A 'positive' tilt is used to increase the size of the investment in companies such as:

- those providing renewable energy or supporting technology
- companies performing in line with the globally agreed climate change goals (2°C cap on temperature increase)

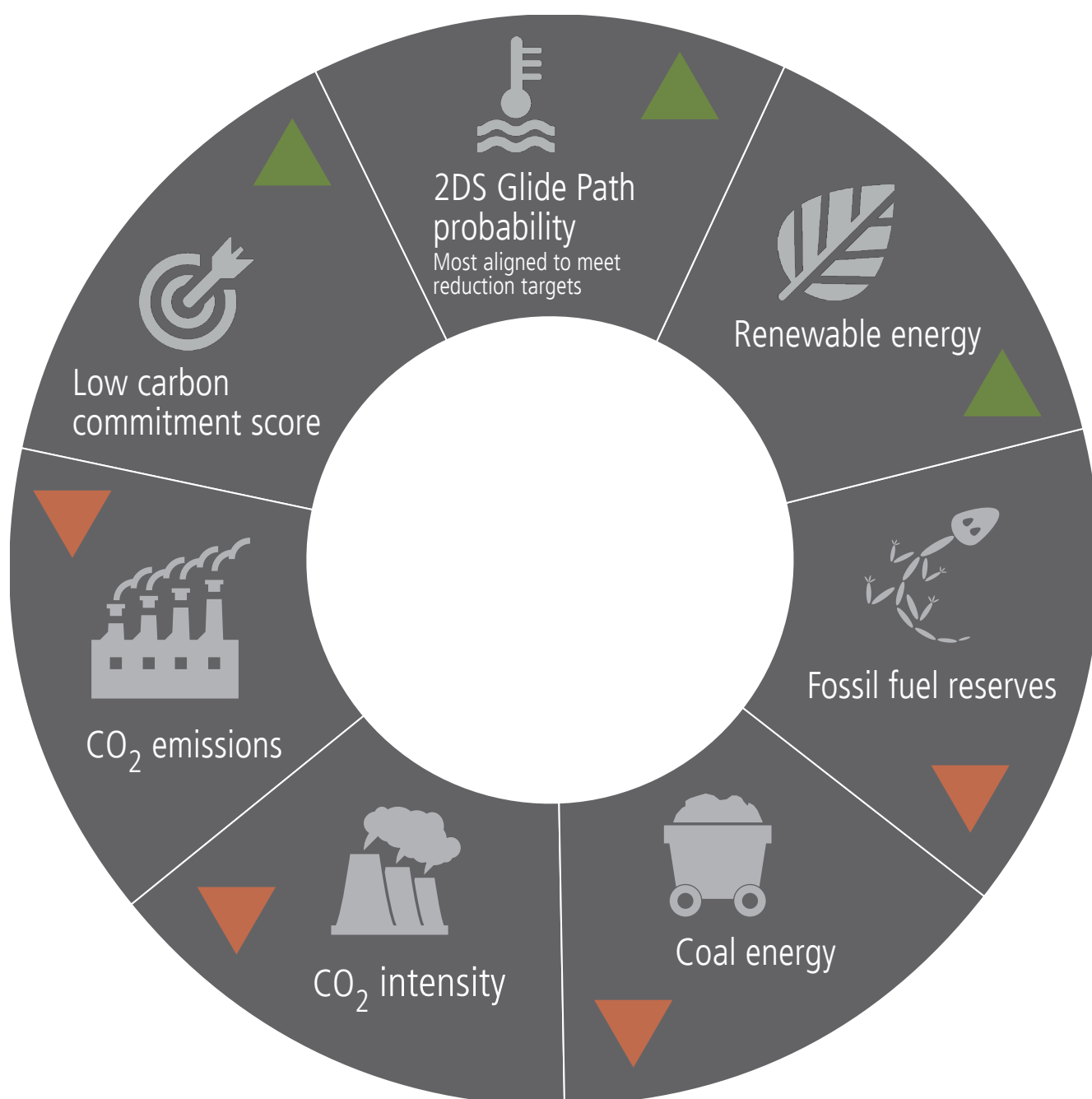
This positive tilt also constitutes a differentiator with respect to products that rely only on reducing a portfolio's carbon emission.

Our voting policy

We believe an active voting policy is crucial. Our fund pursues a climate aware voting and engagement policy with companies that most need to adapt their business models in order to meet globally agreed climate change goals.

“At the total portfolio level we aim to broadly follow the risk/return profile of the benchmark. As well as carbon aware constraints, our portfolio construction process also allows relatively low deviations in terms of sector, country, industry, style factors and portfolio beta with respect to the benchmark.”

UBS climate aware rules-based portfolio: quantitative and qualitative factors



Our climate aware model in practice

Our model is constructed based on four core elements, or building blocks. These combine to form a multi-dimensional set of metrics that guide the portfolio construction towards a set of exposures that aim to reflect the transition to a low GHG emission economy and the 2°C scenario. Our approach is innovative - it is both forward looking and uses a probabilistic framework to capture the inherent uncertainty surrounding carbon data.

Glide path probability: We build a quantitative model that compares the company's carbon footprint trend with the required emission reduction implied by the 2°C scenario. This approach allows us to estimate the probability that the company will achieve those glide path targets.

Qualitative overlay: We improve the estimates of our quantitative model with a qualitative framework that incorporates information about the company:

- whether carbon emission is reported under the Carbon Disclosure Program (CDP)
- the company's disclosure related to implementation of policies, objectives and/or initiatives related to carbon efficiency

This qualitative data allows us to make a more robust estimate of a company's commitment to carbon reduction. This step is designed to mitigate carbon data quality and reporting issues by introducing related supplemental information on a firm's stated policy.

Current carbon intensity and renewable energy: This relates to current information about direct and indirect carbon footprint (measured as intensity levels). Furthermore, in order to partially capture the substitution of energy sources under the 2°C scenario by clean energy providers, we incorporate information related to both the production of renewable energy and companies offering technology to that sector.

Fossil fuel reserves and energy produced: This element allows the underweighting of companies generating electricity from coal-fired power stations. We also allow the portfolio to reduce exposure to companies that currently hold proven reserves in coal, oil and gas.

As already mentioned, our approach aims to tackle climate change by including an active voting policy at the general meetings of companies around the world that need to adapt their business, strategy, and corporate governance in order to reduce climate risks and meet globally agreed climate change goals.

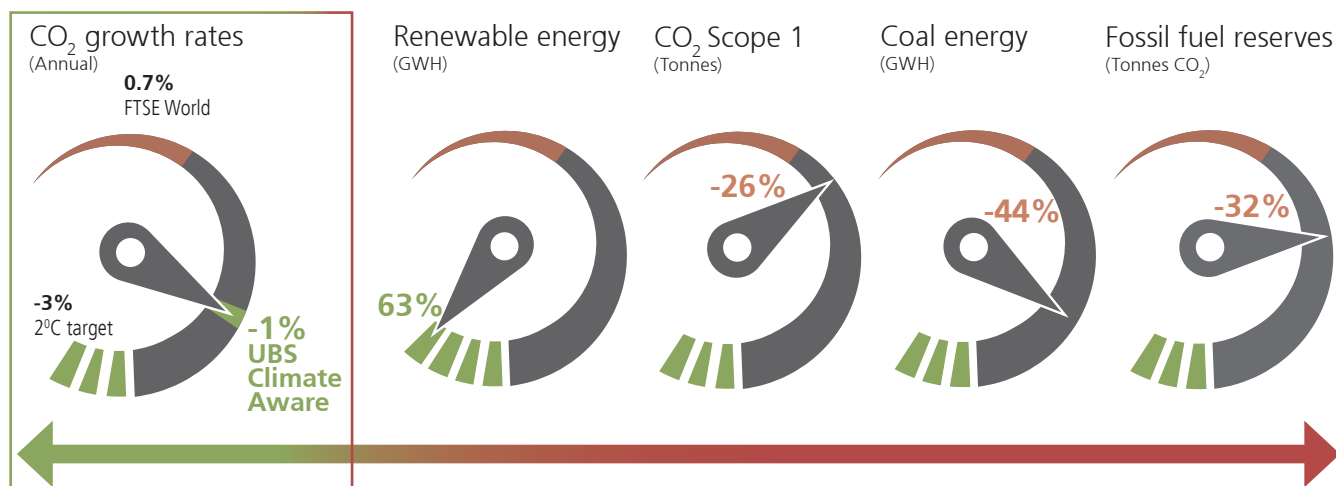
We base our climate aware exposures in the context of a range of climate criteria. This includes the three Carbon Intensity Scopes – Carbon Intensity Scope 1, Scope 2 and Scope 3. These are a categorisation of a company's GHG emissions created by the GHG Protocol - the most widely used international accounting tool. Broadly speaking,

they can be categorised into direct emissions (Scope 1) or indirect emissions (Scope 2 and 3).

Our simulation suggests that our target climate aware exposures can be achieved with an ex-ante tracking error of 0.28% over the period 2011-2016. Quarterly rebalancing allows the portfolio to control financial and climate-related risk exposures with a modest one-way turnover of 6.8% p.a. on average over the simulations period.

The methodology also allows us to monitor with a level of granularity different relative exposures achieved in our portfolio. Figure 1 shows the exposures in our portfolio.

Figure 1 Selected achieved relative exposures (as of February 2017)



Source: Trucost, Asset4, IEA and UBS Asset Management. In (*) we calculate growth rates as portfolio/benchmark weighted averages of stocks in industry groups related to Climate change. Growth rates are computed over five year time weighted averages. In (**) we consider companies that belong to Renewable Energy Equipment sub-industry group.

In summary

With its innovative and systematic approach to the issue of climate change, the UBS Life Climate Aware World Equity Fund offers investors the opportunity to align their mandated investment targets with their increasing obligations to incorporate sustainable investment factors within their asset allocations.

Why UBS?

- Passive-like deviations vs. benchmark
- Low tracking error and low turnover
- No exclusions policy
- Meaningful carbon reduction
- Aligned to forward-looking carbon reduction targets
- Tilted to renewable energy
- Low cost
- Customisable

Specialist index manager

- Highly experienced, stable and well-resourced team managing index assets for over 30 years, with GBP 175bn index AUM (as at 31 December 2016)
- Robust, proven investment process: strong technology, optimal solution to balance risk and cost
- Big enough to benefit from economies of scale but nimble enough not to face liquidity constraints when trading for index changes

Responsible investor

As a responsible investor, you expect us to take into account environmental, social and governance (ESG) factors wherever appropriate. At UBS Asset Management we are committed to acting as responsible investors on your behalf.

- Signatory to UNEP Finance Initiative and UN Global Compact
- Signatory to UN Principles for Responsible Investing since 2009
- Founding signatory to Carbon Disclosure Project and member of International Corporate Governance Network
- First bank to obtain ISO 14001 certification for worldwide environmental management system in banking business
- Member of FTSE4Good Index series and included in Dow Jones Sustainability Indices
- Signatory to Institutional Investors Group on Climate Change (IIGCC)

**If you would like to learn more about the fund
and our approach, please contact:**

Malcolm Gordon

Head of UK Institutional
malcolm.gordon@ubs.com
+44-20-7901 5428

Rachel Hill

Business Development
Director UK & Ireland
rachel.hill@ubs.com
+44-20-7901 5776

Digby Armstrong

Client Relationship Manager
digby.armstrong@ubs.com
+44-20-7901 6413

Miles Illingworth

Client Relationship Manager
miles.illingworth@ubs.com
+44-20-7901 5734

ubs.com/am-uk

This document is for Professional Clients only. It is not to be distributed to or relied upon by Retail Clients under any circumstances. Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and are not guaranteed. Investors may not get back the amount originally invested. Changes in rates of exchange may cause the value of this investment to fluctuate. This document is a marketing communication. Any market or investment views expressed are not intended to be investment research. **The document has not been prepared in line with the FCA requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.** Source for all data and charts (unless otherwise stated): UBS Asset Management. The information contained in this document should not be considered a recommendation to purchase or sell any particular security and the opinions expressed are those of UBS Asset Management and are subject to change without notice. Furthermore, there can be no assurance that any trends described in this document will continue or that forecasts will occur because economic and market conditions change frequently. Issued in February 2017 by UBS Asset Management (UK) Ltd, a subsidiary of UBS AG, 5 Broadgate, London EC2M 2QS. Authorised and regulated by the Financial Conduct Authority. Telephone calls may be recorded. © UBS 2017. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved. 26048A

Report to: Pension Committee

Date of meeting: 27 November 2017

By: Chief Finance Officer

Title: Environmental, Social and Governance (ESG) – update

Purpose: To consider an update on Environmental, Social & Governance (ESG), and Low Carbon Approach for the Fund.

RECOMMENDATIONS -

The Committee is recommended to:

- 1. approve a revised East Sussex Pension Fund Investment Beliefs.**
 - 2. approve the cost (i.e., £10,000) of conducting/measuring the Fund carbon footprint.**
-

1. Background

1.1 This report provides an update on recommendations at the Committee meeting held on 4 September 2017. At the meeting, the Committee discussed issues and approaches to mitigate risks posted by climate change/fossil fuels in order to formulate a cost effective Ethical, Social and Governance (ESG) Policy, and resolved to:

- a) Include within the Pension Fund Investment Beliefs, the following statements relating to ESG investment subject to refinement from Hymans Robertson:
 - Climate change presents a financial risk to the future investment returns from the Fund.
 - Close engagement with - and challenge to - the investment managers will improve understanding of these risks.
 - Individual stock selection decisions will be delegated to active managers but the Fund will retain the right to sell holdings in exceptional circumstances.
 - The Fund will aim to collaborate with other investors where this is expected to have a positive impact.
 - The nature of the underlying benchmark is an important consideration, most notably for passive mandates.
- b) Agree that the East Sussex Pension Fund should sign up to the UK Stewardship Code; and
- c) Request an analysis of the Fund's exposure to carbon risk within its equity holdings.

2. ESG – Future Work on Recommendations

2.1 The Pension Committee has on a number of occasions considered its approach to responsible investment practices and also at ways to increase the level of engagement on environmental, social and governance issues in relation to the management of the Fund investments. The Fund itself is a member of the Local Authority Pension Fund Forum (LAPFF) and has used this primarily as a route to ensuring that the Fund's voice is heard in conjunction with other investors. Like most LGPS funds, the Fund has preferred to use the route of engagement with its managers and companies rather than taking a particular stance of divesting in companies or market sectors, having considered the financial risks of such a course of action.

2.2 The decisions and indicative timescales for future work on recommendations are –

	Committee Decision	Future Work and Updates
a.	Include within the Pension Fund Investment Beliefs, statements relating to ESG investment.	The Pension Fund Investment Beliefs has been updated with statements relating to ESG investment. The document will be included as an appendix to the Investment Strategy Statement (ISS), which will demonstrate a commitment to managing

	Committee Decision	Future Work and Updates
		carbon risk and set targets that are both quantifiable and measurable where this is appropriate. <i>A revised Investment Beliefs (Appendix 1) is attached for the Committee approval and a revised ISS will be presented to committee at its February 2018 meeting.</i>
b.	Agree that the East Sussex Pension Fund should sign up to the UK Stewardship Code; and,	Officers are currently looking into how the Fund can commit to the UK Stewardship Code and become a signatory. The principal aim of the Code is to encourage institutional investors, who manage other people's money, to be active owners and engage with their investee companies so as to encourage them to act in the interests of their beneficiaries. The Fund need to comply with the seven principles of the Code. <i>The Statement of Compliance with the UK Stewardship Code report will be presented to the Committee for approval at its February 2018 meeting.</i>
c.	Analysis of the Fund's exposure to carbon risk within its equity holdings.	Officers are currently in discussion with Trucost, a specialist consultant that can conduct a carbon footprint of the Fund. The company is able to produce quality reporting with an aggregated report across all holdings and importantly to attend a Committee meeting to present and discuss the reports. The total cost for the above reports and their attendance at the meeting is estimated to be around £11,900 exc. VAT. Measuring emissions and climate risks in the portfolio will allow the Fund to establish a base of data from which to examine its investment assumptions and test investment processes. It will also enable the Fund to make an assessment on an ongoing basis as to how its exposure to climate change risks progresses over time. <i>This work is expected to start in the third quarter with the initial results available for the February 2018 Committee meeting.</i>
d	Option of reallocating the Pension Fund's passive equity mandate.	The new arrangement with the UBS Passive Investment management will consider a proportion of the Fund's passive equity mandate that will need to be reallocated into the UBS climate aware rules-based portfolio. Officers will work with the fund manager, investment adviser and investment consultant over the coming months to identify suitable approach and strategies.

3. Conclusion and recommendations

3.1 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. This is an area in which further work will be undertaken over the coming months. We have been in contact with a number of our managers to request more detailed reporting on environmental issues, engagement and voting patterns, which will be reported at future meetings.

IAN GUTSELL

Chief Finance Officer

Contact Officer: Ola Owolabi, Head of Pensions

Tel. No. 01273 482017

Email: Ola.Owolabi@eastsussex.gov.uk

BACKGROUND DOCUMENTS: none



Investment Beliefs

November 2017

Fund specific investment beliefs

The Pension Committee has prepared a set of investment beliefs based on their experience of the workings of the Fund and the nature of the underlying investments held. These are set out below:

Belief: Clear and well defined objectives are essential to achieve future success

The Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

Belief: Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection

The Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters.

Belief: Funding and investment strategy are linked

The Committee understands that a number of funding related aspects feed into investment strategy decisions, including maturity, sponsor covenant and level of required return. Given this, actuarial and investment matters, most notably setting investment strategy, are looked at in tandem by the Committee.

Belief: Long term investing provides opportunities for enhancing returns

The Committee believes that investors with long term time horizons are typically less constrained by liquidity requirements and able to better withstand periods of price volatility. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid (e.g. property, infrastructure and private equity) or may be subject to higher levels of volatility (a premium return is required for any such investments). Having this long-term focus also helps the Fund tolerate periods of active manager underperformance when the manager's investment style is out of favour with the market.

Belief: Equities are expected to generate superior long term returns

The Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. The Committee is therefore comfortable that the Fund maintains a significant allocation to equities in order to support the affordability of contributions.

Belief: Alternative asset class investments provide diversification

The Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. The Committee believes that investing across a range of asset classes (including, but not restricted to, equities, bonds, absolute return funds, infrastructure and property) will provide the Fund with diversification benefits.

Belief: Government bonds provide liquidity and a degree of liability matching

Government bonds have characteristics that are similar to the assumptions used in valuing pension liabilities e.g. sensitive to changes in interest rates and (for index-linked) to changes in market-implied inflation. This makes them a suitable asset for reducing the Fund's funding risks. In addition, this asset class has proven to be highly liquid at times of market stress, enabling it to be used for rebalancing and to help meet any outflows that may fall due. Given this, the Committee holds a proportion of the Fund's assets in this asset class.

Belief: Fees and costs matter

The Committee recognises that fees and costs reduce the Fund's investment returns. The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process.

Beliefs: Rebalancing can add value

Academic studies show that regular rebalancing can help add value over the long-term. As a result, the Fund has put in place agreed tolerance ranges for their liquid assets, with the intention that assets will be rebalanced, at least towards target, should these ranges be breached.

Belief: Active management can add value but is not guaranteed

The Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. The Committee will aim to minimise excessive turnover in its active managers. By carefully selecting and monitoring active managers and recognising that periods of underperformance will arise, the Committee seeks to minimise the additional risk from active management, and continue to monitor active managers to ensure their mandates remain appropriate for the Fund.

Belief: Passive management has a role to play in the Fund's structure

The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance.

Belief: Choice of benchmark index matters

The Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focuses on the benchmark's underlying characteristics and considers how they may be appropriate for the Fund. Choice of benchmark is particularly relevant for passive mandates where the manager's job is to track the index as closely as possible.

Belief: Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments

The Committee recognises that ESG issues can impact the Fund's returns and reputation. Given this, the Committee aims to be aware of, and monitor, financially material ESG-related risks and issues through the Fund's investment managers. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations.

In addition, the Committee has agreed a set of beliefs in relation to the potential impact of climate change on the Fund's investments.

Belief: Climate change presents a financial risk to the future investment returns from the Fund.

The Committee recognises that climate change issues can impact the Fund's returns and reputation. The impacts of climate change on the returns from the Fund in the future are unknown at this point but the Committee recognises that they need to allocate sufficient time and resource to monitor the possible risks and also identify any investment opportunities which may become available as a result. A carbon measurement report will be commissioned periodically from a specialist provider.

Belief: Close engagement with - and challenge to - the investment managers will improve understanding of these risks.

The Committee believes that investors with long term time horizons are more exposed to certain risks and requires that its investment managers are aware of and consider these when making investments. It is acknowledged that investment managers carry out detailed research on the prospects for individual companies and industries and have access to company management. The Committee meets with investment managers at their regular meetings and has the opportunity to discuss relevant developments in detail. To challenge investments to ensure these are being followed and that all relevant risks have been considered.

Belief: Individual stock selection decisions will be delegated to active managers but the Fund will retain the right to sell holdings in exceptional circumstances.

The Committee believes that it is the role of its active managers to do the necessary due diligence on each individual stock selection they make. The Committee requires that its active managers provide on request the investment rational for each investment that they have made. Where the Committee has determined through this engagement with the active manager that the risks posed by a stock outweighs the potential gain they will retain the right to instruct its active managers to sell those holdings. As a result, no restrictions are currently placed on the Fund's active investment managers.

Belief: The Fund will aim to collaborate with other investors where this is expected to have a positive impact

The Committee recognises that through active shareholder engagement it can get those companies it is invested in to improve their corporate behavior. Improvements made by these engagements lead to an increase in the long term value of the Fund's investments. The Committee believes that these can be maximized by collaborating with other like minded investors to increase the pressure for change and encourages improvements to be made.

Belief: The nature of the underlying benchmark is an important consideration, most notably for passive mandates.

The Committee understands that the underlying benchmark they set their investment managers will drive the behavior of the managers and the investment risks they will take. The Committee also recognises that for its passive mandates the manager will only buy the stocks within the benchmark they are tracking. The Committee understands that to ensure it is investing in the way that meets the needs of the Fund it needs to ensure it provides suitable benchmarks for each investment mandate. Therefore, the choice of benchmark index by the Committee is very important, it continues to explore the potential for using low carbon indices.

Report to: **Pension Committee**

Date: **27 November 2017**

By: **Chief Finance Officer**

Title of report: **Local Government Pension Scheme (LGPS) Pooling - ACCESS update**

Purpose of report: **This report provides Members with an update on the activities undertaken by the ACCESS Pool group.**

RECOMMENDATION – The Committee 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.

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 now formally met twice as an established body on 31 July 2017 and 2 October 2017 respectively.

2.3 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, to set up sub funds to meet the Funds’ requirements. The Chair of the East Sussex Pension Committee will sit on the JC as the ACCESS Vice Chairman, alongside the other ten Chairmen of the ACCESS Funds.

2.4 Papers from previous and future ACCESS JC meetings are available on the Kent County Council website using the following link:

<https://democracy.kent.gov.uk/mgOutsideBodyDetails.aspx?ID=898>

2.5 Communication with DCLG - All the LGPS pools were asked to provide an update to DCLG in July on the progress being made with the pooling arrangements. The latest update provided to DCLG on 20 October is attached as Appendix 1.

3. Investment Manager Rationalisation

3.1 As reported to the last meeting of the Committee the ACCESS Funds agreed to commission a piece of work to review the current investment manager structures of the 11 Funds in order to better identify areas of cross-over and areas where there are significant differences of approach, bfinance was commissioned to prepare a “map” of existing holdings, assess those holdings for suitability within the sub-fund structure, make recommendations on the initial population of sub-funds, and consider the impact on fees.

3.3 The OWG has received the bfinance report and used it to inform the CIV Operator Procurement. It is anticipated, given advice received from Squire, Patton, Boggs (SPB) the legal adviser to the Operator procurement exercise, that the initial sub-fund structure will be based on existing investment manager mandates of individual Funds. Over the next few months the report's recommendations will be further reviewed as Funds will need to agree on the most appropriate mandates. The intention is that the sub-fund structure will be agreed by all ACCESS Funds by 1 February 2018, when the Operator's contract commences, so that they can go ahead and seek authorisation from the Financial Conduct Authority (FCA) for the establishment of the subfunds.

4. Contract Manager/Client Role

4.1 As part of the governance/day to day management of the operator contract it was agreed by ACCESS Chairman at its meeting that a contract management function should be established. The contract function will be responsible for the implementation of local fund strategic asset allocation decisions and will act as the conduit between the Funds, JC and the operator.

4.2 The ACCESS operator contract will be a significant contract with a contract value estimated to be between £16-25m over 5 years and with AUM of up to £40.6bn; this will be a potentially complex contract with a number of technical, legal and strategic issues and a number of relationships to be managed on a day to day basis. It is important that the contract management function is staffed by individuals with the appropriate skill sets and led by an individual who has the right commercial, technical, inter-personal and management skills.

5. Passive Procurement

5.1 The ACCESS has now completed the “mini” tender process within the framework to appoint a single provider to the ACCESS pool. Following competition, the ACCESS Funds have awarded a contract for their combined passive mandate to UBS Asset Management (UK) Limited. A recommendation was considered by the JC for ratification at its October meeting. The total assets under passive management for ACCESS will be £10.5bn. A passive investment procurement paper will be considered as an exempt item at this meeting.

6. Financial Implications

6.1 The costs incurred by the East Sussex Pension Fund up to the end of September 2017 were £22,062 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.

7. Conclusion and reasons for recommendations

7.1 That the Pension Committee considers and notes the content of this report and the progress on pooling since the last report.

IAN GUTSELL
Chief Finance Officer

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

Background Documents - None

Local Government Pension Scheme Pooling

Progress Report (October 2017)

In the July 2016 Submission ACCESS authorities wrote to Marcus Jones MP highlighting a number of benefits resulting from their pooling proposals. The table below provide a summary update on progress against these key benefits.

Headline from July 2016 Submission	Progress
Eventual projected savings of £30m annually.	ACCESS authorities remain confident that these savings can be delivered.
Plans for a quick win of £4m per annum from consolidating passive mandates.	This estimate has been exceeded – with estimated annual savings of £5.2m from the successful procurement and appointment of UBS Global Asset Management.
Potential for greater savings in the longer term as the ACCESS pool applies its leverage as one of the largest asset pools in the UK and collaborates with other pools to achieve further benefits of scale in investment management including more direct investment approaches in illiquid assets.	Assets under management for the ACCESS authorities were £40.6bn at 31 March 2017 , with the anticipated value of assets to be held under pool governance of £39bn. The ACCESS pool has maintained its position as one of the largest asset pools in the UK , and will be able to apply its leverage to achieve further benefits of scale.
A pool structure composed of an FCA authorised Collective Investment Vehicle (the Operator and ACS and other pooled investment vehicles to hold assets).	The ACCESS authorities are nearing the final stages of appointing a fully regulated Operator who will in turn set up the FCA authorised sub-funds for the individual funds to invest in.
A significant shift in governance arrangements with the Operator responsible for selecting and contracting with managers on behalf of the authorities participating in the pool.	The Operator will be wholly responsible for selecting and contracting with managers.
Preserving appropriate local decision making (including strategic asset allocation) and building into governance arrangements the critical role of elected members. A Joint Governance Committee will be established which will hold the Operator to account – ensuring democratic accountability and exercising authority's fiduciary responsibilities.	An Inter Authority Agreement has been signed by all ACCESS authorities, which has formally established the Joint Committee structure.
Potential for an increase in UK and global infrastructure provided cost effective access to investment opportunities with the right risk / return profile emerge – ACCESS will support cross-pool collaboration efforts in developing arrangements that enable this.	The ACCESS pool continues to be fully engaged with the Cross Pool Infrastructure group and individual funds continue to invest in and allocate towards infrastructure investments as appropriate.

Further information is included within the main Progress Report.



Local Government Pension Scheme Pooling

Progress Report

October 2017



Progress report from

ACCESS

(A Collaboration of Central, Eastern & Southern Shires)

On behalf of



Cambridgeshire County Council



East Sussex County Council



Essex County Council



Hampshire County Council



Hertfordshire County Council



Isle of Wight Council



Kent County Council



Norfolk County Council



Northamptonshire County Council



Suffolk County Council



West Sussex County Council

ACCESS Pool objectives and principles

Participating authorities have a clear set of objectives and principles, set out below, that will drive the decision-making and allow participating authorities to help shape the design of the Pool.

Objectives

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

In order to achieve these objectives, the participating authorities have established the following governing principles:

Principles

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

Criterion A: Scale

Please state the estimated total value of assets included in your transition plan for investment through the pool structure, with date of estimate

Within the July 2016 Submission (the Submission) the ACCESS Pool set out the value of assets of the authorities represented by the Pool based on asset values as at 31.3.2016.

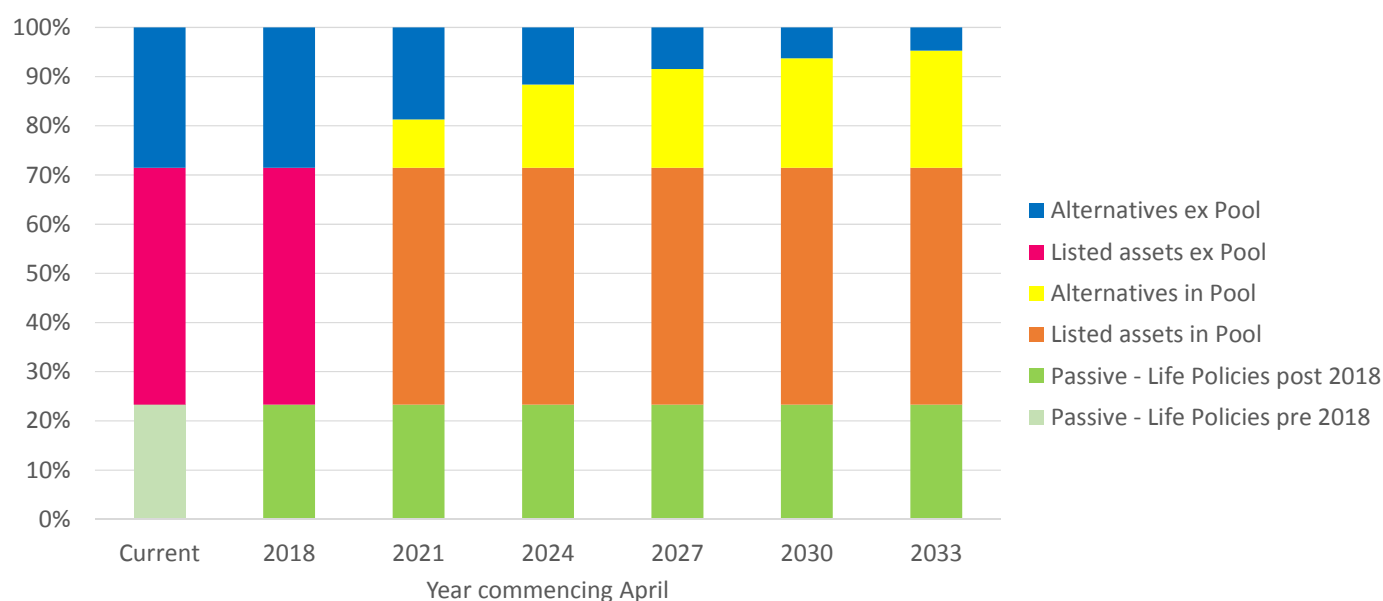
Audited values as at 31.3.2017 have now been added by way of an update.

Authority	31.3.2016 £b	31.3.2017 £b
Cambridgeshire County Council	2.3	2.8
East Sussex County Council	2.7	3.3
Essex County Council	4.9	6.0
Hampshire County Council	5.1	6.3
Hertfordshire County Council	3.5	4.2
Isle of Wight Council	0.5	0.5
Kent County Council	4.5	5.6
Norfolk County Council	2.9	3.5
Northamptonshire County Council	1.9	2.2
Suffolk County Council	2.2	2.6
West Sussex County Council	3.0	3.8
Total	33.5	40.6
Anticipated value of assets to be held under pool governance	31.8	39.0

The anticipated value of assets to be held within the Pool includes passively managed assets which will be held in Life Policies. The Life Policies themselves will remain an agreement between the participating authority and the appointed external investment manager, UBS Global Asset Management.

The planned transition of the majority of these assets into the Pool and the timeline for doing so remain in line with the indicative timeline of the Submission, as illustrated in the chart below. The assumptions underlying the timetable are:

- Existing illiquid assets will be run off over their normal investment lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned
- 100% of listed assets are intended to be invested through the Pool by 2021
- All passive assets will be held outside the Authorised Contractual Scheme (ACS) but within Pool governance on jointly negotiated Pool terms. This will be implemented early in 2018 so that circa £11bn of ACCESS assets will be under Pool governance by April 2018.
- A Pool solution for alternative assets is intended to be developed by 2021 to allow new commitments to be made to ACCESS investment solutions



Please state the estimated total value of assets to be invested outside of the pool structure by participating funds

There has been no change to the proposed assets to be held outside since the Submission.

The values have been updated to 31.3.2017 reflecting and increase due to market movements.

Outside of Pool	31.3.2016 values (£m)	31.3.2017 values (£m)
Direct property	1,600 (4.8% of Pool assets)	1,523 (3.8% of Pool assets)
Local investment	43 ¹ (0.1% of Pool assets)	55 (0.1% of Pool assets)
Operational cash	Variable	Variable

Progress towards go live by April 2018 - Please provide an updated high level project plan to achieve delivery by April 2018 including progress with operator procurement/build, design of sub funds, recruitment of core team, appointment of depository and FCA authorisation

Please see Appendix 1.

The participating Authorities have consolidated their passive equity mandates, resulting in estimated savings of £5.2m per annum (or 72% compared to the 2015 cost benchmark). The Authorities worked with the National LGPS Framework and have appointed UBS Asset Management (UK) Limited for an initial period to 31 March 2028, with a possible five year extension and additional extension to November 2036.

The Joint Committee is engaged in the establishment of the Contract Management function.

¹ Asset value evaluated for the 2016 Statement of Accounts from £17m (per July 2016 Submission) to £43m.

Please identify risks or issues which may delay delivery by April 2018, and any plans to mitigate risks and/or manage issues

In the previous update it was suggested that local elections and the complexity of an Operator / contract mobilisation were risks to the project delivery.

- Local elections in May 2017 resulted in a change in Chairmen representing their Individual Authorities. However all Chairmen, new and incumbent, are fully engaged with the initiative.
- The procurement of an operator for a £30bn+ pool of assets remains a complex issue. The finalisation of the Invitation to Tender documents has therefore been carefully considered. The timescales versus those presented previously were extended slightly to allow for significant legal, insurance and industry/investment advice to be provided. This included external advice on the number and design of sub-funds to validate ACCESS's own analysis, inform the tender specifications and enable work on sub-fund design to proceed in parallel with the Operator procurement, having benefit for sub-fund set up. In addition the level of diligence undertaken prior to publication of the ITT will ensure the robustness and clarity of the service specification and associated contract terms, which will have a long term benefit to the individual authorities.

Submissions from potential providers have now been provided and are being evaluated and moderated by participating Authorities. The outcome of the procurement should be known by the end of November. However there is still a risk that finalising details of sub-fund design, processes, reporting requirements etc with the Operator once appointed will take longer than expected. This risk is being mitigated as far as possible by further work on these aspects by the ACCESS officers and advisers.

The risk of the significant influx of work required from the Financial Conduct Authority (FCA) in authorising Collective Investment Schemes for the whole LGPS wide pooling initiative is also a concern to the ACCESS pool.

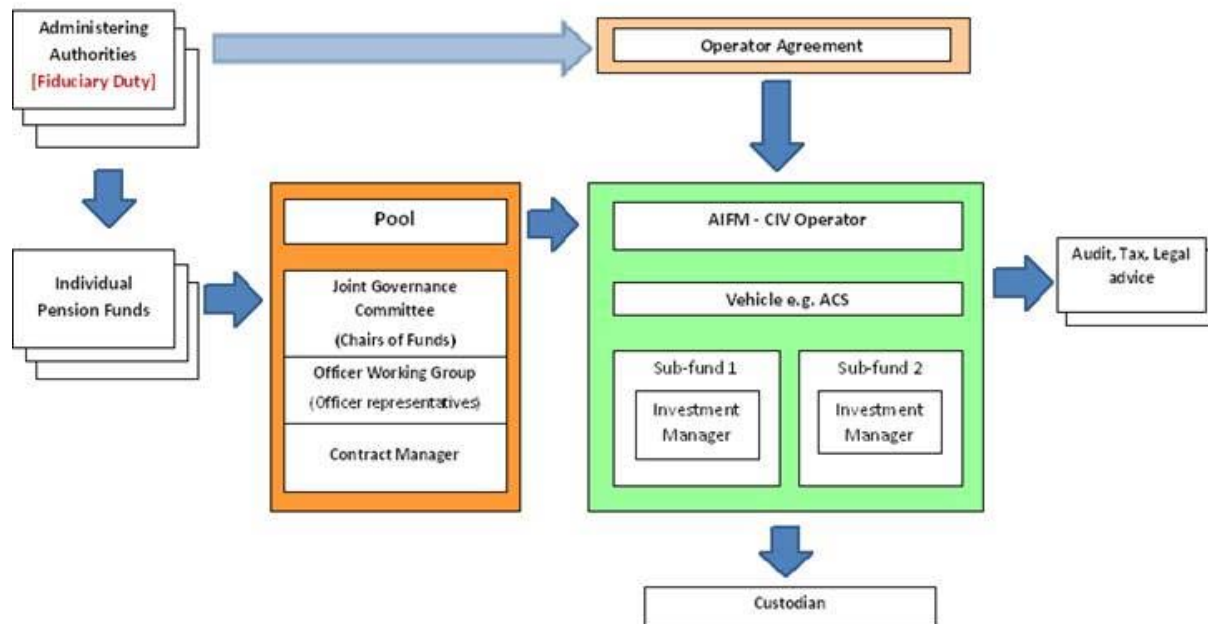
In addition there is a risk that if a client unit is not set up promptly, specifically the Client Contract Management Function Lead role, they will be unable to be intrinsically involved in the initial discussions with the Operator. The Contract Management function has been defined and will be recruited following approval from the Joint Committee. Interim measures will be put in place to cover any period prior to the post holder being in place.

Finally, although it is expected that the Operator completes the application process for authorisation of the ACCESS ACS in the first quarter of 2018, there is a risk that the Financial Conduct Authority (FCA) will not have responded by April 2018.

Criterion B: Governance

Progress with governance arrangements - please provide an updated high level project plan for the implementation of governance arrangements.

The diagram below is based on the Submission and continues to reflect the governance arrangements being implemented by ACCESS authorities.



The Pool will rent a Regulated Operator who will provide access to Financial Conduct Authority (FCA) Regulated Authorised Contractual Scheme (ACS).

Elected Members continue to be fully engaged in the Pooling initiative.

- The Inter Authority Agreement which determines the relationship between each of the individual Pension Fund's and the Joint Committee has been ratified by each of the participating authorities.
- The Joint Committee held its first formal meeting on 31 July 2017. Agendas, papers and minutes can be found on the Kent County Council website.
- The Joint Committee met on 2 October 2017 with a further meeting planned for 13 December.

Criterion C: Reduced costs and value for money

Update on annual savings estimates including reductions in fees / mandates

The estimated savings in respect of basis points remain consistent with those set out in the July 2016 Submission with the exception of the following:

- It has been agreed that the Operator will be rented rather than established and owned by ACCESS authorities.
- The level of fee reductions negotiated in the passive manager procurement exceeded the savings indicated. Fee savings have been calculated relative to the baseline of 31 March 2015 as being in excess of £5.2m. All participating funds have benefited from substantial fee benefits.

Work is currently underway to develop an initial sub-fund framework to coincide with the Operator appointment so that meaningful early progress in pooling assets can be made and investment manager fee savings achieved for the benefit of the ACCESS funds. ACCESS authorities expect to have in the region of 25-35 sub-funds once a full transition is completed, reducing the current number of mandates significantly.

Plans for delivering savings – please set out your high level plan and timescales for delivering the annual savings above

With the caveats already noted, the plan for delivering savings and timescales remain consistent with our Submission.

Plans for reporting including on fees and net performance in each listed asset class against an index

Plans for reporting on fees, net performance and comparative performance remain consistent with our Submission.

As part of the Invitation to Tender for the Operator, bidders will be evaluated on their ability to:

- Provide advice on, manage, coordinate, oversee and provide full cost transparency reporting on the transition of assets of the Pool (which may include liaising with third party managers and transition managers, and, potentially advising the Administering Authorities on the transition of their existing assets where required);
- Work with the Administering Authorities to facilitate the approach to Corporate Governance and Socially Responsible Investing enabling the Pool and Funds to continue to discharge their policies and responsibilities in respect of the Code of Transparency for LGPS asset managers, LGPS regulations and Corporate Governance activity;
- Provide manager fee information, transaction cost analysis, etc. to ensure the Funds and Pool can adhere to the Code of Transparency for LGPS asset managers

The general obligations around providing full cost transparency reporting and performance reporting for pool and non-pool assets have been reflected in the Operator specification.

Plans for how the Pool will report publicly on a fully transparent basis – please confirm that the pool will adopt the Scheme Advisory Board Code of Transparency for reporting to participating funds

Plans for reporting on a fully transparent basis remain consistent with our Submission.

In addition to the comments made above, the Operator Agreement specifically requires that the Operator has regard (without limitation) to the requirements specified in the Local Government Transparency Code 2015, the Pension Fund Disclosure Code and the Financial Reporting Council's Stewardship Code and provides any such data as the Administering Authorities shall require to be able to adhere to the LGPS Code of Transparency (or any replacement or amendment to that code) for LGPS investment managers.

Criterion D: Infrastructure

Progress on infrastructure investment – please state your target allocation for infrastructure and committed funds at the pool level and/or across pools. Please also set out your plans for the platform/product/and/or external manager arrangements to achieve that target

At the time of the July 2016 Submission the participating authorities had £372m or 1.1% of total Pool assets invested in infrastructure assets.

At 31.3.2017, this figure had increased to £490m, or 1.2% of total Pool assets.

The target allocations have remained as per the July 2016 Submission

Fund	Target Asset Allocation 31.3.2017
Cambridgeshire	5%
East Sussex	2%
Essex	6%
Hampshire	5%
Kent	1%
Suffolk	5%

Longer term aim for infrastructure allocation

The participating authorities continue to believe that, in the long-term, there is potential for authorities in the Pool to achieve asset allocation to global infrastructure investments to levels comparable to similar sized international funds, at around 5%. The allocation will vary at individual fund level. This potential is predicated on a vehicle, or vehicles, being able to deliver improved access to the appropriate type of global infrastructure investment, at a lower cost than at present and which meets the objectives of the underlying investors.

The ACCESS Pool is continuing to participate in discussions regarding a longer term solution for infrastructure investment such as the establishment of a national vehicle through which participating authorities could allocate to specialist infrastructure.

ACCESS is committed to continuing to work with all the other Pools (through the Cross Pool Collaboration Infrastructure Group) to progress the development of a collaborative infrastructure initiative that will be available to all Pools and include a timescale for implementation of the initiative.

Timetable to achieve stated ambition - please provide a high level project plan for the implementation of the platform/product/and/or external manager arrangements described above

As stated above ACCESS is committed to continuing to work with all the other Pools (through the Cross Pool Collaboration Infrastructure Group) to progress the development of a collaborative infrastructure initiative that will be available to all Pools and include a timescale for implementation of the initiative.

Task	When	ACCESS workstreams					ACCESS Advisers					Other	Decision			
		OWG	Operator Procurement	Passive Management	Client and Contract Management	Sub-fund design and seeding	Appointed Regulated Operator	Kent County Council (Procurement)	Legal (Squires, Patton, Boggs)	Legal (Eversheds)	Technical (Hymans)	Technical (Bfinance)	Insurance (Lockton)	Government	LGPS Administering Authorities	
OJEU & ITT issued for Operator appointment	Sep-17															
Clarification responses for Operator apppointment	Sep-17															
Work plan for development of Contract Manager role within wider framework	Sep-17															
Draft budget to April 2018	Sep-17															
Contract Manager Job Description developed	Sep-17															
Bfinance report on sub-fund rationalisation received	Sep-17															
OWG proposals for next steps for sub-fund pipeline and pilots developed	Sep-17															
Closing date and time for Operator appointment tender submissions	Oct-17															
Evaluation of ITTs for Operator appointment	Oct-17															
Report for Joint Committee on outcome of the passive procurement	Oct-17															
Individual authorities to enter into Life Policy Agreement	Oct-17															
Individual authorities formulate transition plan for passive asset mandates	Oct-17															
Start recruitment to Contract Manager post	Oct-17															
Joint Committee considers bfinance findings and proposed next steps for sub-fund pipelines and pilots	Oct-17															
DCLG update report	Oct-17															
Joint Committee considers work plan and budget to April 2018	Oct-17															
Joint Committee considers Contract Manager proposal and approves recruitment	Oct-17															
Clarification presentation for Operator procurement	Nov-17															
Finalise score and recommendation report for Operator appointment	Nov-17															
Develop proposals on resourcing of other client functions (technical investment, project management, Consider proposals for sub-funds structure	Nov-17															
Approve recommendation from workstream on Operator appointment	Nov-17															
Quarterly Joint Committee Meeting	Dec-17															
Decision and recommendation by Joint Committee to individual authorities to enter into Operator	Dec-17															
Local approvals for Operator appointment	Dec-17															
Award notice and stand-still period for Operator appointment	Dec-17															
Operational due diligence on insurance coverage proposed by successful bidder	Dec-17															
Pre-contract discussions with sucessful bidder	Dec-17															
Interim contract management pending appointment of Contract Manager	Dec-17															
On-boarding of Operator contractor (legals, SLAs, policies etc)	Dec-17															
Finalise client proposals for initial set of sub-funds and mandate objectives and agree process with	Dec-17															
Contract and SLA's signed by individual authorities	Jan-18															
Complete contractor on-boarding	Jan-18															
Finalise sub-fund mandates	Jan-18															
Fee negotiations with pilot sub-fund managers (Operator led)	Jan-18															
Initial application to FCA (initial sub-funds and mandates but not managers)	Feb-18															
Initial Officer discussions on property investment pooling	Feb-18															
Operator Contract effective	Feb-18															
Interim contract monitoring until Contract Manager starts	Feb-18															
Confirm managers for pilot sub-funds	Feb-18															
Iteration on ACS application	Feb-18															
Potential start date for Contract Manager	Mar-18															
Transition plan and requirement for transition manager developed	Feb-18															
Final application for initial sub-funds including confirmation of sub-fund managers	Mar-18															
Potential DCLG progress report	Mar-18															
Quarterly Joint Committee Meeting	Mar-18															
Agree client preferences for sub-fund managers	Mar-18															
Approve transition plan	Mar-18															
Proposed deadline for ACCESS Funds to transition passive assets into passive manager	Mar-18															
FCA authorisation of sub-funds granted	TBC															

This page is intentionally left blank

Report to: Pension Committee

Date of meeting: 27 November 2017

By: Chief Operating Officer

Title: Market analysis of Pensions Administration System

Purpose: To provide the Committee with an options appraisal of administration systems available to LG Pension Funds

RECOMMENDATIONS

The Committee is recommended to acknowledge and note the market analysis provided.

1 Background

1.1 Following the provision of a report at the Committee meeting of 4th September 2017 outlining the timetable of activities, milestones and decision points expected as part of a re-procurement exercise to deliver an Administration system on behalf of the East Sussex Pension Fund, a further report was requested by the Committee. The report was to provide an appraisal of the Pensions Administration system market place. This report should be read in conjunction with appendices 1 & 2.

1.2 The Committee will recall the earlier reports outlining the choices available to the procurement approach as well as the break clauses with the incumbent system provider, Heywood. Also noted in the report at the meeting of 17 July 2017 were the financial penalties for invoking early exit break clauses.

2 Market analysis

2.1 The Orbis procurement team have carried out a market appraisal of local government pension administration software providers, the results of which are detailed in appendix 1. A helpful national landscape map showing which Authorities use which system is also attached as appendix 2.

2.2 There are 4 main providers of administration systems, Heywood, Capita, Civica and Equiniti. The largest provider in respect of organisational usage and scheme membership is Heywood.

2.3 Other providers have modest market share, with Civica providing services on behalf of some of the largest local authorities in England.

3 Cost analysis

3.1 In respect of pricing comparison, the complexity of these systems in terms of licensing and implementation means there is no whole of market data available to identify like for like costing analysis.

3.2 Access to a framework through Kent CC was previously achieved where Civica and Equiniti were preferred providers and pricing was available. This framework, however was put in place in 2013 and has since expired and not reinstated.

3.3 Using existing contacts at two Authorities who currently use the Civica system, requests have been made to share indicative costs and at time of writing this report we still await responses.

Regardless of the outcome of these requests, it is the professional opinion of Procurement that an initial Request for quote (RFQ) followed by a restricted tender will best achieve the results required to compare cost and capability.

Kevin Foster

Chief Operating Officer

Contact Officer: Jason Bailey Tel. No. 020 8541 7473

Email: jason.bailey@surreycc.gov.uk

Local Government Pensions Administration Software Providers Customer Map

Created by Orbis Procurement Category & Commercial Team

- Capita
- Civica
- Heywood

***Avon Pension Fund:**
Bath & North East Somerset
City of Bristol
North Somerset
South Gloucestershire

***Bedfordshire Pension Fund:**
Bedford
Central Bedfordshire
Luton

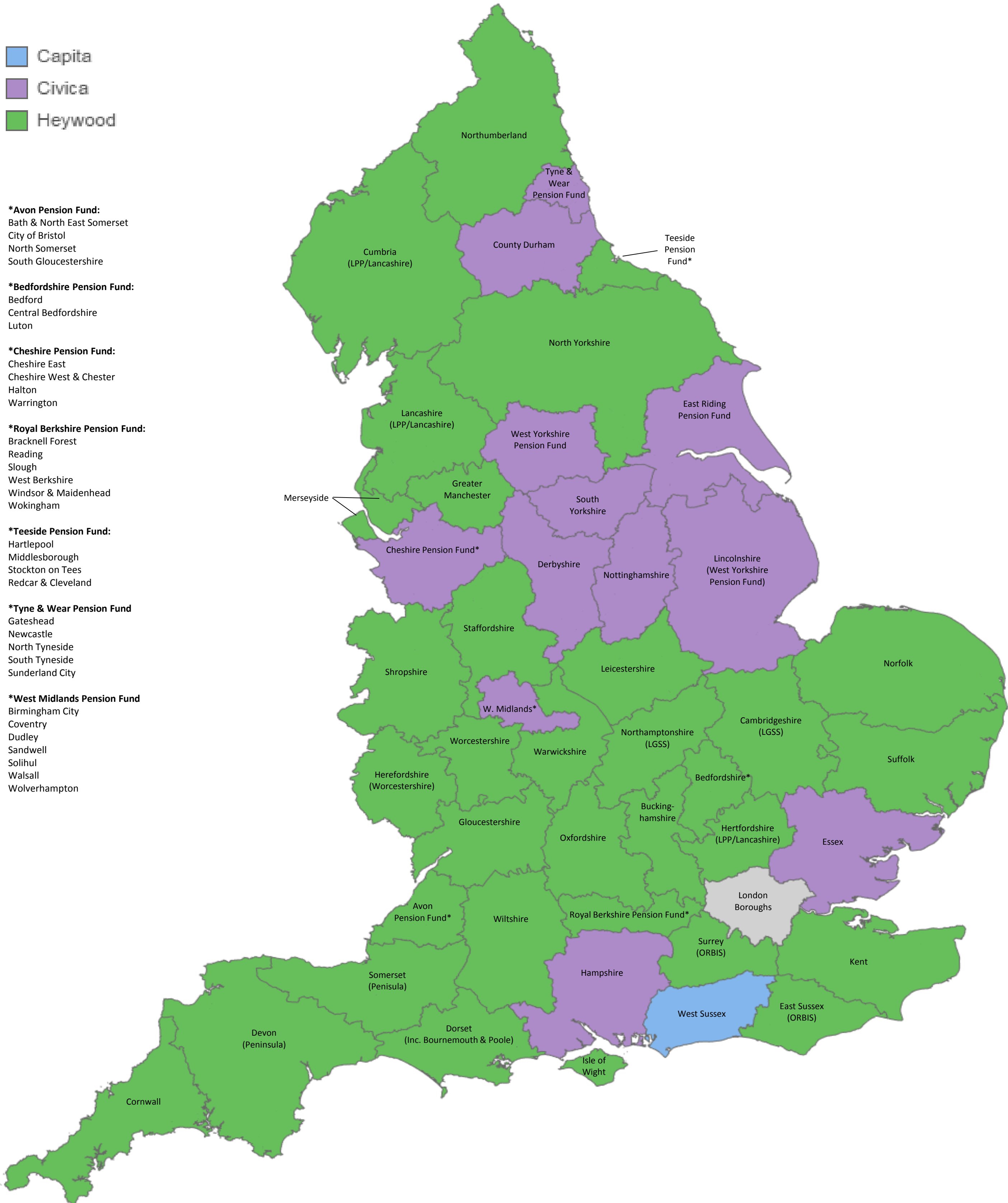
***Cheshire Pension Fund:**
Cheshire East
Cheshire West & Chester
Halton
Warrington

***Royal Berkshire Pension Fund:**
Bracknell Forest
Reading
Slough
West Berkshire
Windsor & Maidenhead
Wokingham

***Teeside Pension Fund:**
Hartlepool
Middlesbrough
Stockton on Tees
Redcar & Cleveland

***Tyne & Wear Pension Fund**
Gateshead
Newcastle
North Tyneside
South Tyneside
Sunderland City

***West Midlands Pension Fund**
Birmingham City
Coventry
Dudley
Sandwell
Solihul
Walsall
Wolverhampton



Local Government Pensions Administration Software Providers Customer Map

Created by Orbis Procurement Category & Commercial Team







Pensions Administration Software Market Review

Steve Tiley
October 2017

Pensions Administration Software Providers



	Product Name	Local Government Pension Schemes (England Authorities Only)				Police Pension Scheme Customers	Other notable public sector scheme customers
		Local Government Customers	Market Share by LG Customers	Total Local Government Scheme Members	Market Share by LG Scheme Members		
 Aquila Heywood	Altair	57	75%	3,218,800	65%	27	<ul style="list-style-type: none"> Health and Social Care Northern Ireland: 217,750 Members Northern Ireland Local Government Officers: 106,800 Members
	Hartlink	4	5%	127,500	2.5%	4	<ul style="list-style-type: none"> Scottish Public Pensions Authority¹: 859,250 Members
	UPM	14	18%	1,608,500	32%	0	<ul style="list-style-type: none"> SAUL (London Universities): 46,115 Members
	Compendia	1	1%	21,500	0.4%	3	<ul style="list-style-type: none"> Civil Service (MyCSP): 1,519,000 Members NHS: 2,874,000 Members Armed Forces: 979,000 Members

¹ Administers Scottish Police, Fire, NHS and Teachers Pensions





Aquila Heywood



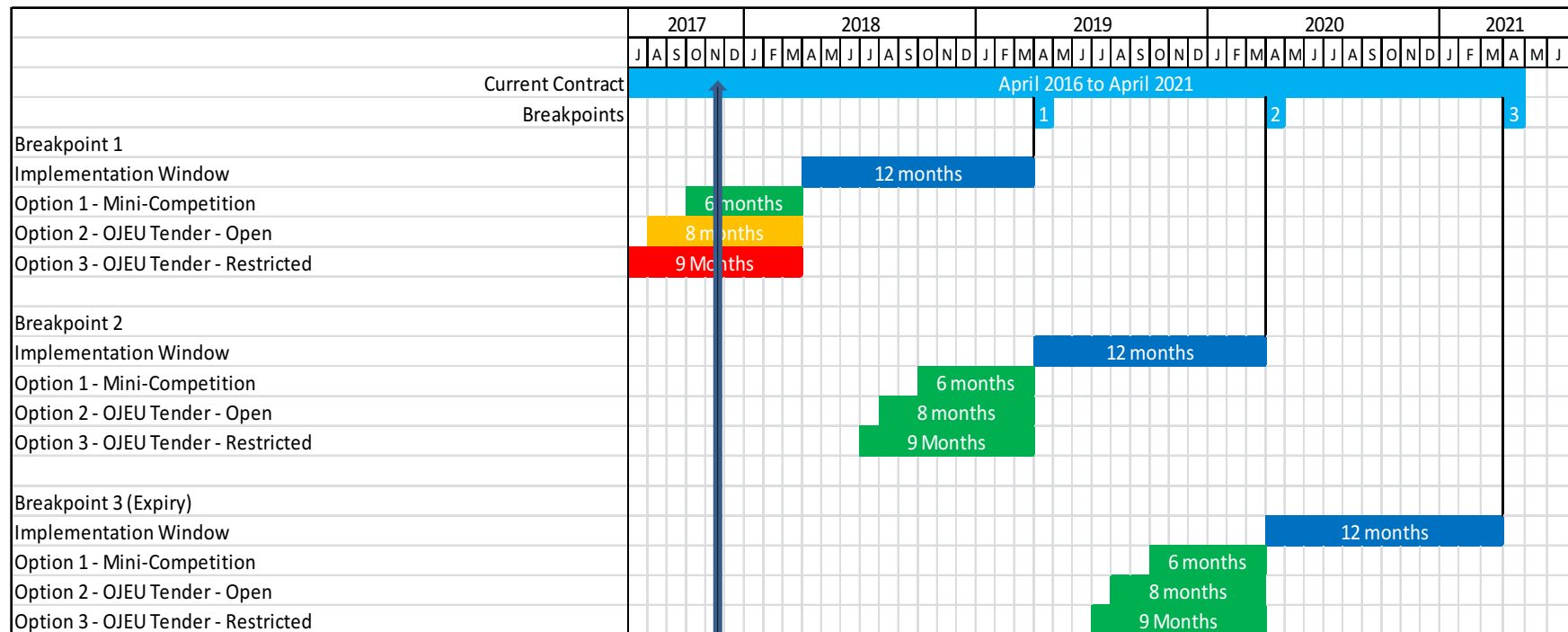
- UK's largest provider of life, pension and investment administration systems, this is the sole focus of their business.
- The dominant market provider of pensions systems designed specifically for local government.
- Aquila Heywood's software is used to administer the records of over 10 million individuals across 200 major organisations.
- Have a strong presence across all sectors, customers include most local authority schemes and companies such as Prudential, Aviva, Asda, BP and the BBC.
- Counts 48 of the UK's largest 100 schemes as customers.
- Can be accessed via Northumberland County Council's single provider framework established in 2014. London Borough of Lambeth report securing a discounted rate in return for a 5 year contract.
- Customer satisfaction appears to be high, with very few councils reporting issues when implementing Heywood's software.

- Part of Capita, the UK's largest business process outsourcing company.
- Provide both full 3rd party administration services and their Hartlink software as a standalone product.
- Provide full 3rd party services to approximately 550 customers with 4 million individual scheme members
- Their Hartlink software is provided directly to 35 in-house administration schemes across UK, covering 1.75 million members
- Capita generally seek longer contracts (5 – 10 years) for their 3rd party administration services, these are often combined into wider outsourcing contracts.
- Capita have developed somewhat of a reputation for poor performance across their outsourced services.

- Specialist software and services provider focusing on public sector, 95% UK authorities reportedly use some form of Civica product or service.
- Have been offering Pensions software for 18 years, but this forms a very small part of their portfolio.
- Only recently gained a foothold in the local government market, a key point was their winning a place on the National Pensions Administration Software Framework let by Kent County Council in 2013
- However are now able to count 6 out of the 10 largest LGPS schemes by membership as customers.
- No new customers gained since 2014, the majority of contracts signed using Kent's Framework are for 4 years.
- Implementation issues affected a number of authorities who signed contracts in 2014.
- South Yorkshire Pension's Authority felt not enough resources were allocated by Civica to their implementation. Resultant backlogs of work cost SYPA £50,000 in over time payments.
- Durham County Council reported "teething troubles" and had to withhold invoice payments until the Fire area of the system was brought up to a "satisfactory standard".
- East Riding Pension Fund were unable to issue their Annual Benefits statements in time due to delays in software development.

- Part of the wider Equiniti Group who provide a range of share registration, investment, employee benefit and pensions services. Claim to be largest pension and share register in Europe.
- Provide pension related services to more than 750 schemes across the private and public sector, which provides circa 40% of the group's revenue.
- Offer full 3rd party administration services and their Compendia software as a standalone product.
- Single Local Government customer, but provide full 3rd party administration services to large public sector schemes such as the Civil Service, NHS and Armed Forces giving them the #1 market position in public sector pension administration.
- Operate MyCSP (Civil Service Pensions) as a 51% owned joint venture with Central Government. However a 2016 report by National Audit Office criticised the quality of service following the transfer from Capita in 2014.
- Performance has improved but the underlying issues had not yet been fixed at time the report was written.
- Won a place, alongside Civica, on the National Pensions Administration Software Framework.
- Received a number of awards, with an emphasis on technology. Compendia has been voted #1 pension administration platform by in-house teams for last 3 years.

Procurement Timeline Windows



If you have any questions or comments, please contact:

Steve Tiley

Strategic Procurement Manager

Strategic Procurement

07701 394 718

steve.tiley@eastsussex.gov.uk

Report to: Pension Committee

Date: 27 November 2017

By: Chief Operating Officer

Title: Annual Benefit Statement update

Purpose: Provide an oversight of the Annual Benefit Statement exercise carried out by Business Operations on behalf of the East Sussex Pension Fund.

RECOMMENDATION

The Committee is recommended to consider and comment on the report

1 Introduction

1.1 This report has been prepared to inform the Committee of the status of the recently completed Annual Benefit Statement exercise. The production of the statement serves to provide scheme members with an overview of their contributions and forecasted benefits at point of retirement. The exercise involves issuing statements to Active members (c 21,000) and Deferred members (c 22,500).

2 Supporting Information

Online access

2.1 As previously shared with the Committee, Business Operations, in conjunction with the system provider, Heywoods, has developed and now introduced a new online portal which was launched to Active scheme members this year allowing the following benefits to be realised:

- Secure access 24/7 to pension benefits by every scheme member including an online view of their annual statement.
- Member's ability to project "what if" scenarios using different retirement criteria.
- Reduced costs annually to the Pensions Fund by removing print & postal charges.

Communications timetable

2.2 Every local authority has a statutory obligation to make available benefit statements for its members by 31 August 2017. In order to achieve this deadline, it requires year end returns to be submitted by the employers (approximately 130 in E Sussex) on behalf of their employees in good time to prepare the individual records.

2.3 We are pleased to report that, with the exception of the cases identified below, all active members were provided with either a paper version of their statement or an invitation to access the online portal before this date. 19,649 statements (93%) were issued by 31 August.

2.4 Paper statements were produced and sent where no email address was held on the personnel file and this amounted to approximately 40% of the active member database. In addition to a summary of benefit entitlement shown on the paper statement, an invitation to register on the online portal was included, encouraging members to use this facility going forward.

<p>The attached Appendix 1 shows the breakdown of statements issued and those outstanding.</p>

Cases Excluded from Initial Statement Run

2.5 A small proportion of active members will not yet have received their statements. This includes 520 employees registered at 10 employers where the returns were not fully completed within the deadline to allow their statements to be issued. 480 of these relate to one employer where the return has now been received and statements are being prepared.

2.6 In addition to the above, there are 600 cases where Business Operations has identified a member joined during 2016/17 but for whom a formal notification has not yet been received and these are being pursued with employers. This will include staff with multiple posts where the member was an existing employee but a new role commenced in 2016/17. Around 220 records were unable to be notified due to incorrect email addresses held. Finally, 44 records have a technical issue with the registration process and will be sent paper statements.

Next Steps for Active Members

2.7 As is normal practice, a further statement run will take place at the end of October to capture late submissions and query responses as well as for members who require their statement to be re-issued following queries and corrections we will have received following the production of the original statements. This year a second supplementary run is also planned for November. The most common reason for re-issuance is when members' files have not been updated with correct marital status.

2.8 Around 3,300 members have registered to use the online portal. Further communications and promotion will take place with employers in October to encourage members to access the online portal. Following this, during November and December Business Operations will also be promoting the benefit of registering to members who have been invited but not yet registered.

Deferred Statements

2.9 Regrettably, we were unable to meet the 31 August deadline for issuing deferred members statements. This was due in the main to a delay with the external mailing house. Statements` were issued a few days after the deadline and were dispatched to members from our mailing house on 11 September. Due to issues with responsiveness from the mailing house Business Operations will not be using their services for any future bulk mailings, paper annual benefit statements included and will instead use an alternative external print facility who automatically provides a 48 hour turnaround.

3.0 Recognising this delay in issuance is technically a breach of law, Business Operations has produced a breach report and submitted to the Monitoring Officer who with the Chief Finance Officer (S151) will be arranging for a notification to the Pensions Regulator.

3.1 As with active members, deferred members were issued with instructions on how to use the online portal so they can view their pension records online in future.

KEVIN FOSTER

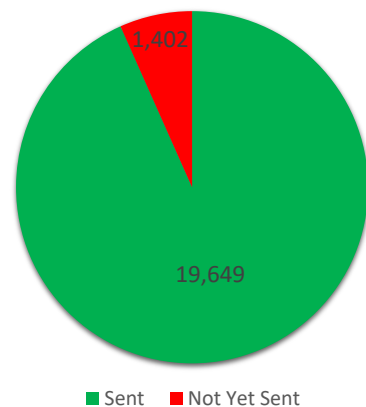
Chief Operating Officer

Contact Officer: Jason Bailey Tel. No. 020 8541 7473

Email: jason.bailey@surreycc.gov.uk

Active Annual Benefit Statements Summary (as at 30 September 2017)

ESCC ABS Production - Current Members active as at 31 March 2017



Dispatch analysis

Issued within statutory deadline			Not issued within statutory deadline			
Method	Number	Issue Date	Reason	Number	Number to be issued October 2017 run	Comments
Email invitation	8,491	25/08/2017	Missing/Incomplete EOY return from Employer	520	500	
	2,850	27/08/2017	Email address held on record is invalid	218	218	
Paper	8,308	31/08/2017	Technical registration issue	44	44	
			Assumed New Joiners in 2016/17 but with no confirmation	620	Subject to employer response	428 are Brighton and Hove posts
Total	19,649		Total	1,402		

Deferred scheme members Annual Benefit Statements

Method	Number	Dispatch date
Paper	22,496	11/09/2017
Email	NA	
Total	22,496	

This page is intentionally left blank

Report to: Pension Committee

Date of meeting: 27 November 2017

By: Chief Operating Officer

Title: Guaranteed Minimum Pension (GMP) Reconciliation Update

Purpose: To provide an update on the progress of the Guaranteed Minimum Pension (GMP) Reconciliation Exercise

RECOMMENDATIONS

The Committee is recommended to consider and note the update provided on the progress by ITM on the accelerated GMP project

1 Introduction

1.1 The Committee may recall it previously approved the engagement of an external data analyst, ITM, to carry out an accelerated two month project to commence work on the reconciliation of GMPs between the East Sussex County Council (ESCC) fund records and Her Majesty's Revenue & Customs (HMRC).

1.2 The purpose of the project is to:

- Allow the ESCC fund to make use of the latest smart technology and analytical tools available to ITM and their existing working relationship with the HMRC reconciliation team
- Ensure that a significant proportion of reconciliation queries are either resolved or placed in the HMRC workstream ahead of other funds due to commence work
- Allow Business Operations to commence file reviews on 'known' discrepancies (e.g. where HMRC have a GMP liability but ESCC has no record) whilst we await HMRC responses on other query types.

2 Project Update

2.1 The project commenced in September and Appendix 1 shows the latest project update provided by ITM to demonstrate progress to date against the agreed criteria.

2.2 Although the update report is technical in nature, the summary confirms that 9,800 cases have been queried with HMRC. The current project status is reported as green and Business Operations will provide a verbal update to the Committee if the final report is not available from ITM.

2.3 As expected, ITM has recently returned approximately 300 queries to Business Operations for individual file review as they could not be resolved by the use of analytical tools. These cases are currently being investigated and work is expected to take two months to complete.

2.4 Once the ITM project is complete, Business Operations will make a recommendation on next steps for the Pension Board and Committee to consider to finalise the reconciliation before the HMRC GMP service closedown date of 31 December 2018.

KEVIN FOSTER

Chief Operating Officer

Contact Officer: Jason Bailey Tel. No. 020 8541 7473

Email: jason.bailey@surreycc.gov.uk

This page is intentionally left blank

Project Update for the East Sussex County Council Pension Fund GMP Reconciliation

Sarah Millson/Victoria Franklin
13 October 2017



East Sussex County Council Pension Fund/ GMP Stage 2 Reconciliation

1775

Project Manager (ITM & Client):	Sarah Millson/Victoria Franklin and Jason Bailey
Project Sponsor (ITM & Client):	Maurice Titley and Jason Bailey
Today's date:	20 October 2017
Overall RAG status:	Green
Project start date:	1 September 2017
Planned completion date:	31 October 2017
Estimated completion date:	31 October 2017
Predicted variance:	None currently foreseen

Project commentary

RAG description	<p>The Internal Transfers analysis has been completed, as well as the Multiple HMRC Record Matching and Multiple Admin Record Matching project actions.</p> <p>HMRC have replied to a batch of the Error Code 5 queries raised in September. All cases in this batch were processed via their automated solution; the remainder will be dealt with by the HMRC clerical team by 13 January 2018. They have also provided the COCIS data.</p> <p>The next report will be produced on 27 October and will be issued by 31 October.</p>
Concerns to be resolved by the project	None at this time.

Project dashboard

The chart below documents changes within the reconciliation categories since the production of the baseline. The baseline totals will continue to be displayed at the bottom of the chart so that there is visibility of progress being made.

Status	Reconciled			Proposal	Unreconciled			Out Of Scope
	No GMP liability	Exact match	Within tolerance	Proposal made to client	Awaiting data from client	Awaiting data from HMRC	Further review	N/A record**
Active	14,480	406	313		160	1,527	2,478	5,077
Deferred Post GMP Age	582	81	46		6	139	696	36
Deferred Pre GMP Age	18,703	2,421	625	8	43	2,295	5,753	989
Pensioner Post GMP Age	2,715	3,810	4,001	2	62	1,483	1,875	171
Pensioner Pre GMP Age	563	529	144		5	73	554	10
Widow(er)	124	114	406		27	996	153	179
Unlinked dependant							251	
Total on admin	37,167	7,361	5,535	10	303	6,513	11,760	6,462
Other admin (members with no liability)						85	3,468	39,215
HMRC only					13	2,988	36	13,268
Total reported cases	37,167	7,361	5,535	10	316	9,586	15,264	58,945
Baseline position	25,729	7,089	5,113			898	57,981	37,372

Notes to accompany the reconciliation status table:

Reconciled

- No GMP liability – GMP is zero on both the administration and HMRC records.
- Exact match – GMP on the administration and HMRC records reconciles exactly.
- Within tolerance – the difference between the administration and HMRC GMP is less than the tolerance level set. Provisional tolerance is £2p.w.

Proposals

- Proposal made to client – members where bulk analysis suggests that either the admin or HMRC data should be accepted and a decision from the client is required.

Unreconciled

- Awaiting data from client – results of bulk analysis e.g. On Admin, not on HMRC where a review of member files is required to resolve a query that cannot be dealt with by the extraction of data from the administration extract.
- Await data from HMRC – this encompasses all queries raised with HMRC and the 'Error Code 5' members where full data still needs to be provided. ITM will automatically raise an HMRC query spreadsheet for the members identified as part of the baseline production as the project initiated by HMRC to supply corrected data is behind schedule.
- Further review – all members who will be dealt with as part of the population reconciliation e.g. improving the linking between the HMRC and admin membership. Once the population reconciliation concludes the remaining members in the category will form part of the GMP Value Reconciliation, where mismatches between the GMP amounts held by HMRC and Admin are investigated in more detail.

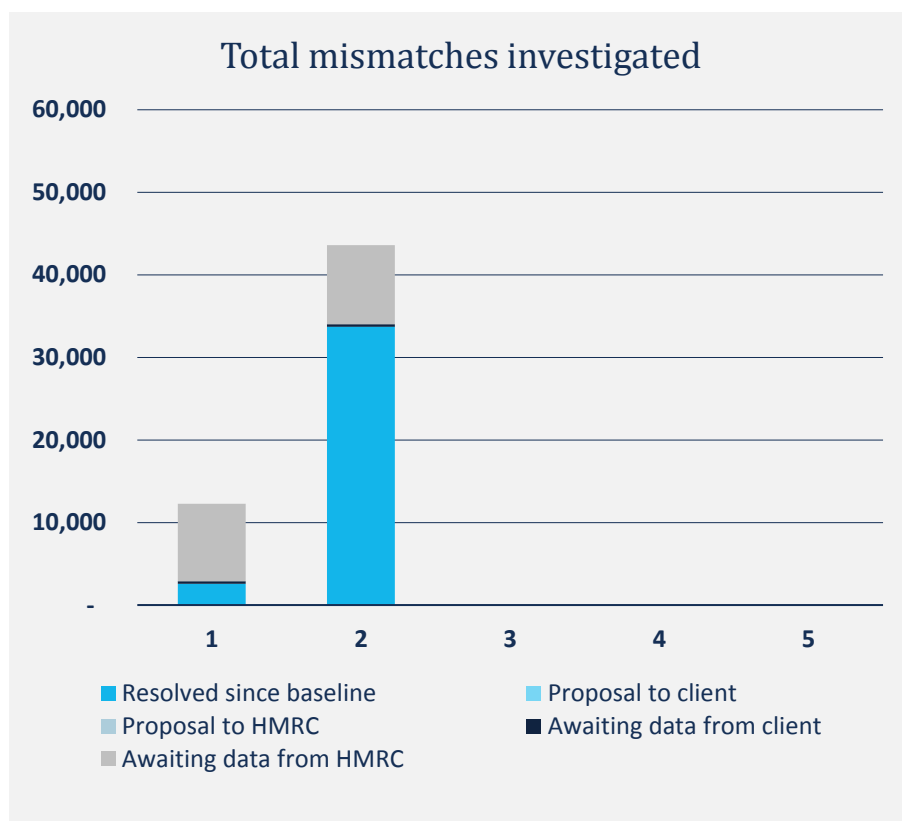
Out of Scope

- Record Not Applicable – includes the following:
 - Members with no liability under the scheme and no corresponding record on the HMRC data (transfers out, refunds)
 - Members with pre 6 April 1978 service
 - Member with no liability status but another liability record is already linked to an HMRC record
 - Originally unlinked dependant records that are subsequently matched to a corresponding first life record
 - HMRC records initially not matched to admin that subsequently are
 - HMRC records that HMRC come to withdraw, e.g. original Error Code 5 cases that HMRC acknowledge have no surviving spouse

A summary is provided in relation to the following categories in the status column of the reconciliation table:

- Other Admin (members with no liability) – all members recorded on the admin data with a status of 'no liability' and no spouse in payment, e.g. refund, transfer out, full commutation, deceased with no widow(er) together with child pensioners and deceased dependants.
- HMRC only – cases where HMRC have a contracted-out liability recorded, but where no admin record was initially (or still) matched to it. Some of these members will be dealt with as we work through multiple record issues, with any outstanding cases being dealt with under the 'On HMRC, not on Admin' project action where a bulk query will be raised with HMRC asking for further information (e.g. employer details) to enable any further analysis to be carried out.

The 'Internal Transfers', 'Multiple HMRC Record Matching' and 'Multiple Admin Record Matching' project actions have been processed and the batch of HMRC queries and file review spreadsheets makes up 16.83% of the total discrepancies being investigated.



HMRC queries (SRS)

HMRC queries

Batch	HMRC Batch Ref	Topic	Number of queries	Queries Logged with HMRC	Expected reply date
1	11	Error Code 5 Queries – Not in Scheme	358	12 September 2017	13 October 2017* 13 January 2018**
2	12	Error Code 5 Queries – Was in Scheme	540	12 September 2017	13 October 2017* 13 January 2018**
3	15	COCIS Data Request	59,214	27 September 2017	
4	20	On Admin Not HMRC – Pass 1	5,955	2 October 2017	7 December 2017* 7 March 2018**
5	22	On HMRC Not Admin – Pass 1	44	2 October 2017	21 January 2018**
6	23	On HMRC Not Admin – Pass 1 - Automated	2,701	2 October 2017	29 December 2017* 2 April 2018**
7	25	Multiple HMRC Record Matching	212	20 October 2017	

*date confirmed by HMRC for 'Automated responses'

**date confirmed by HMRC for 'Clerical responses'

HMRC query responses

Batch	HMRC Batch Ref	Topic	Number of queries raised	Number of queries replied to	Response received from HMRC
1 + 2	11 + 12	Error Code 5 Queries – Not in Scheme	898	825	10 October 2017
3	15	COCIS Data Request	59,214	59,213	12 October 2017

File reviews

Batch	Topic	Number of queries	Status
1	On Admin Not HMRC – Pass 1	303	Issued 2 October 2017
2	On HMRC Not Admin – Pass 1	13	Issued 2 October 2017
3	Multiple Admin Record Matching	10	To be issued w/c 20 October 2017

Decisions required


Decision required	Members affected	Date raised
In order to efficiently reconcile the GMP values it is recommended that a tolerance is set. If the difference between the HMRC GMP value and the administration GMP value is less than this tolerance then the HMRC GMP value should be accepted with no further review being required. A widely accepted industry standard for this tolerance is £2pw. This is assessed with	5,535	15/09/2017

Decision required	Members affected	Date raised
<p>the administration GMP values revalued to the same effective date as for the data provided by HMRC.</p> <p>The grounds to challenge the HMRC GMP record are limited, often requiring the production of payroll records for the period of GMP accrual (78/79 to 96/97) which in most circumstances is not possible. Acceptable challenges to the HMRC GMP values normally relate to differences in the GMP revaluation basis or rate and the omission of transferred-in GMP. In ITM's opinion the analysis and file review cost required to secure one successful challenge to HMRC for cases within the £2pw tolerance would exceed the likely impact on the pension payable arising from accepting the HMRC GMP.</p> <p>5,535 members currently have HMRC GMP values that do not exactly match the administration GMP value but fall within this £0.01pw to £2pw tolerance. This number is likely to change as further cases are reconciled against HMRC data during the course of the project.</p> <p>Whilst a decision is sought from the Trustee Board, ITM will progress the GMP reconciliation on the basis that this decision has been made with immediate effect</p>		

Progress reporting

Project progress		
Planned last period and achieved	▶	Internal Transfers
	▶	Multiple HMRC Record Matching
	▶	Multiple Admin Record Matching
Not planned last period but achieved	▶	None for this period
Planned last period but not achieved	▶	None for this period
Reasons for exceptions	▶	No exceptions
Planning		
Task and milestones planned next period	▶	Dependant Linking
	▶	Deceased Members
Items added to the project plan	▶	None required

Key risks and issues

Risk	RAG status	Mitigation	Status
HMRC response times are currently stated to be around six months.		ITM will monitor HMRC's performance how this change in service delay impact the GMP reconciliation.	Open

Issue	RAG status	Mitigation	Status
None			

Report to: Pension Committee

Date of meeting: 27 November 2017

By: Chief Operating Officer

Title: Officers' Report – Business Operations

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

RECOMMENDATIONS

The Committee is recommended to:

- 1) consider and note the update provided; and
 - 2) note the intention to engage with other local authority pension teams on the implications of the Brewster judgement
-

1 Introduction

1.1 Business Operations within Orbis have prepared this summary of topical administration areas that may be of interest to the Committee. This report is provided for information and subjects are presented in in no particular order.

2 Key Performance Indicators

2.1 Appendix 1 shows the monthly performance summary for the months of June to September 2017 inclusive.

2.2 The performance levels of the team and the levels of customer satisfaction (captured from survey feedback) over this four month period are generally high, though the Committee are invited to comment on any areas of concern. It should be noted that performance was impacted in September by the high volumes of queries received from scheme members following the issue of the annual benefit statements. This peak of workloads will be mitigated in future years by the phasing of the production of statements now that Business Operations have moved to online provision of statements.

2.3 The Pension Committee had requested additional explanation in terms of the timescales for cases reported as late and this information has been included in the commentary in respect of August and September.

3 Customer Feedback

3.1 The Committee expressed an interest in the outcome of the survey that was sent to Business Operations customers earlier this year as part of the application for accreditation under the "Customer Service Excellence" award earlier this year. The Committee may be aware that Business Operations was successful in gaining this accreditation.

3.2 An online survey was issued to customers who had contacted Business Operations via email in the six months prior to the survey being issued. In total 142 responses were received and the summary of responses is shown as Appendix 2. Whilst we are proud of our strong results in staff providing a polite and friendly service, clearly there are areas of improvement we will be focussing our improvement plan on. This includes focussing on our communications in respect of providing progress updates which is entirely in our control. Our ambition is for satisfaction ratings

to meet the importance ratings as determined by the customer. In cases where feedback references concerns related to non administrative responsibilities such as the nature of fund investments, we will work closely with the relevant parties to respond and improve the customer experience.

3.3 In addition to the survey responses, a total of 75 individual comments were received. Business Operations has established an action log detailing the handling of each individual comment and, for completeness, the full list of comments received as well as any follow up actions taken in response to the comments (where appropriate) have been extracted from the log and included as Appendix 3.

3.4 Business Operations intends to repeat the survey in 2018 to continue to monitor levels of customer satisfaction and identify if any of the actions taken in the light of feedback from the 2017 survey have had a positive impact.

4 'Brewster' court decision

4.1 The Committee may be aware of a recent Court judgement in Northern Ireland where a member successfully challenged the requirement that a surviving co-habiting partner had to be nominated in order to qualify for survivor benefits. The LGPS has removed the requirement for a nomination from 1 April 2014 but the rules of the LGPS have not been amended to cover entitlements that may have arisen prior to that date.

4.2 The government has proposed that LGPS funds should accept the judgement in respect of any cases that may have arisen between 2008 and 2014 and award a backdated pension in the event that the qualifying criteria are met.

4.3 The government has further recommended that funds should take 'reasonable steps' to identify cases where an application for a survivor's pension was rejected for want of a nomination.

4.4 Business Operations is consulting with colleagues in our regional LGPS funds network to establish as consistent an approach as possible in terms of the resource time to be allocated to identifying any potential cases affected by this judgement.

5 HMRC Annual Allowance

5.1 In early October, Business Operations completed the annual exercise to notify scheme members if their pension growth in the financial year 2016/17 had exceeded the allowance of £40,000.

5.2 It is evident that, over time, the impact of the reduction in the annual allowance (from £50,000 to £40,000 from 2014/15) as well as the introduction of a tapered allowance for high earners is having a wider impact on LGPS members as the benefits of the facility to carry forward up to 3 years of unused allowances is progressively reducing.

5.3 The Committee may wish to note that a total of approximately 60 Pension Savings statements were issued to scheme members with at least 8 known to be facing a tax charge (and this may increase). In previous years no more than 2-3 members had been directly affected.

KEVIN FOSTER
Chief Operating Officer

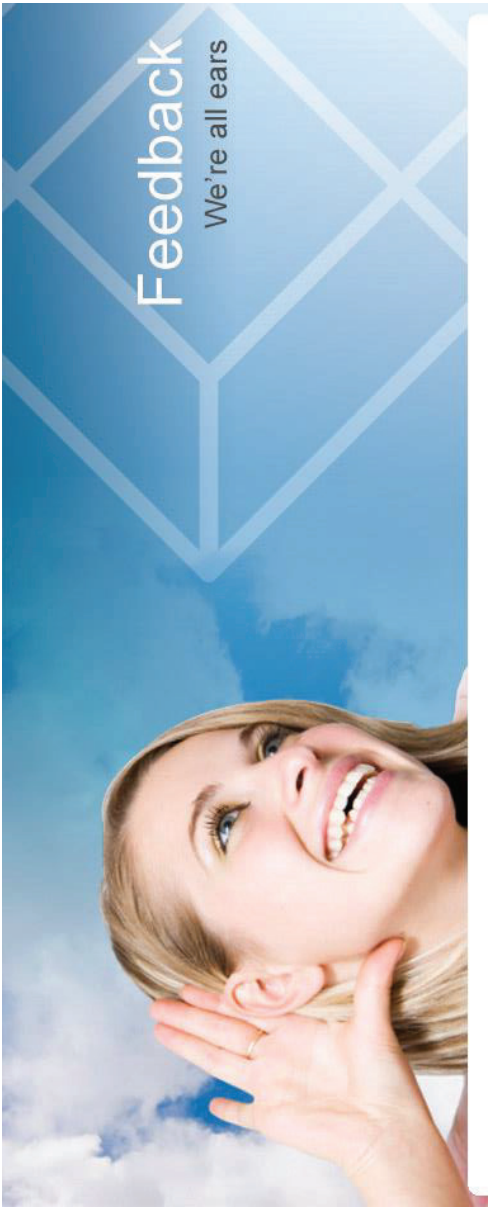
Contact Officer: Jason Bailey Tel. No. 020 8541 7473

Email: jason.bailey@surreycc.gov.uk

East Sussex Pensions Administration - Key Performance Indicators 2017-18

	Activity	Measure	Impact	Target	JUNE		JULY		AUGUST		SEPT		Commentary
	Scheme members	Pensioners, Active & Deferred			71993		72384		72564		72852		
	New starters set up				249		95		348		369		
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	2	100%	14	100%	17	94%	9	100%	August - 12 cases late by average of 4 days Sept - 16 cases late by an average of 3 days August - 7 cases late by average of 2.5 days Sept - 7 cases late by an average of 2 days August - 7 cases late by average of 5 days August - 6 cases late by average of 3 days
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	11	95%	6	83%	5	100%	8	100%	
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	110	93%	125	97%	120	93%	108	85%	
2b	Payment of lump sum made	within 5 days	H	95%	102	94%	76	95%	122	93%	114	93%	
3	Calculation of spouses benefits	within 5 days	M	90%	17	88%	8	100%	3	100%	1	100%	
4a	Transfers In - Quote (Values)	within 10 days	L	90%	53	98%	28	96%	44	100%	41	95%	
4b	Transfers In - Payments	within 10 days	L	90%	16	100%	22	95%	26	100%	17	94%	
5a	Transfers Out - Quote	within 25 days	L	90%	35	97%	24	96%	28	96%	29	100%	
5b	Transfers Out - Payments	within 25 days	L	90%	8	100%	4	100%	13	91%	8	100%	
6a	Employer estimates provided	within 7 days	M	95%	37	95%	70	94%	30	77%	12	100%	
6b	Employee projections provided	within 10 days	L	95%	73	86%	63	92%	63	90%	50	95%	
7	Refunds	within 10 days	L	95%	49	100%	31	100%	42	100%	35	100%	
8	Deferred benefit notifications	within 25 days	L	95%	148	98%	216	100%	128	100%	123	98%	
9	Complaints received- Admin Complaints received- Regulatory				0		2		0		1		
10	Employer survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%									
11	Retiring Member survey satisfaction	Overall satisfaction (Excellent/good)		90%	13	100%	16	100%	7	100%		Awaited	
12	Compliments received				2		1		8		5		

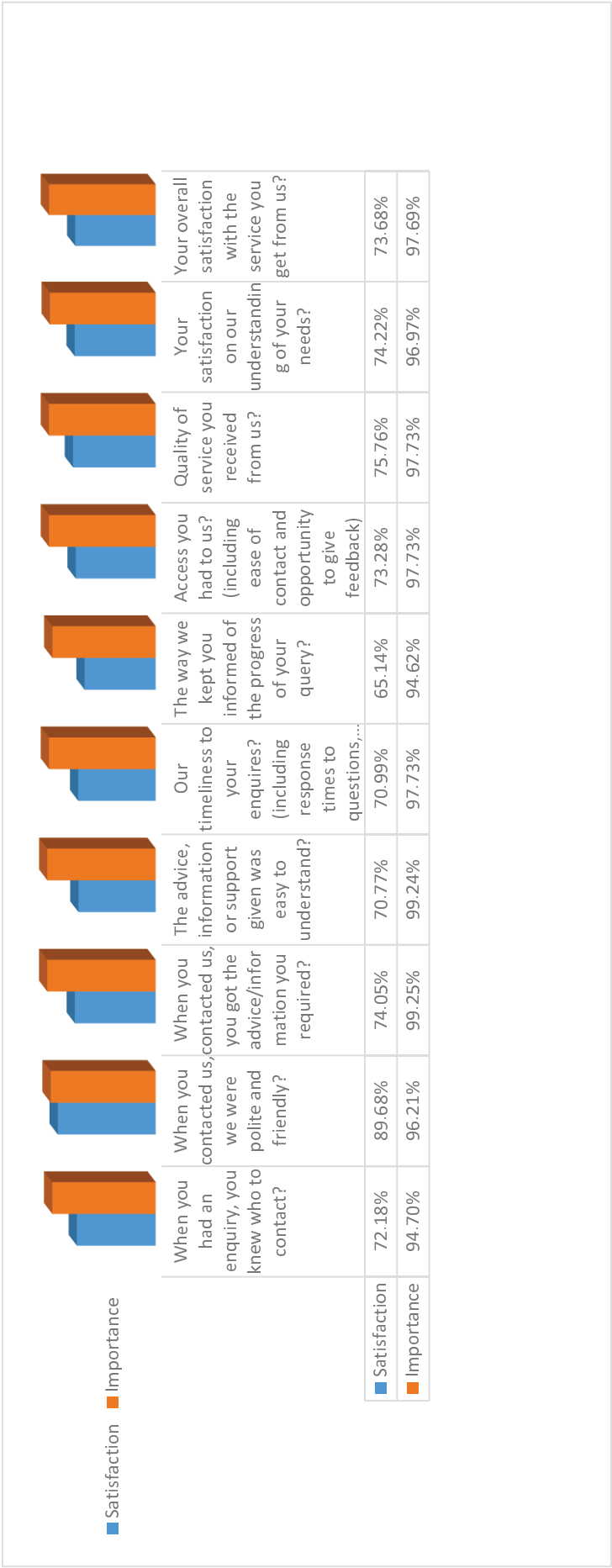
This page is intentionally left blank



Business Operations – Lewes
Customer Satisfaction Results 2017
Pension Services

Total number of respondents 142

Overall satisfaction 74% Importance 98%



Report to: **Pension Committee**

Date: **27 November 2017**

By: **Chief Finance Officer**

Title of report: **LGPS Pooling - ACCESS Operator Procurement**

Purpose of report: **This report provides Members with an update on the procurement of an operator for the ACCESS Pool.**

RECOMMENDATIONS - The Committee is recommended to -

- 1. to note the report;**
- 2. agrees to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the contract approval with the successful ACCESS Operator;**
- 3. that once the contract for the Operator has been prepared, the East Sussex County Council seal can be affixed to the legal documents.**

1. Background

1.1 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. Operator Procurement

2.1 Kent County Council's procurement team are leading on the procurement of the Operator supported by a number of ACCESS officers and Hymans Robertson. Squire Patton Boggs have 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.

2.2 The Invitation to Tender (ITT) and OJEU notice was issued on 4 September with responses due by 6 October 2017. Evaluation and moderation of responses are currently being evaluated by a panel of officers and members. The Joint Committee is scheduled to approve the recommended supplier on or around November 2017 and to recommend the contract award to individual Funds for their approval during late November/early December. The proposed procurement timetable is set out below:

Stage	Dates
Sign-off of ITT by OWG	4 th September 2017
Issue OJEU & ITT	5 th September 2017
Tender response deadline	12 noon, 6 th October 2017
Evaluation period	9 th October – 14 th November 2017
Sign off of Award Recommendation Report by OWG	17 th November 2017
Sign off of Award Recommendation Report by JC	13 th December 2017
Authorities' award governance procedures	1 st December – 15 th December 2017
Supplier notification of award	18 th December 2017
Contract sealing complete	15 th January 2018
Contract commencement date	1 st February 2018

2.3 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. Conclusion and reasons for recommendations

3.1 The 27 November meeting of the Pension Committee will be too early to make this decision. Therefore, the Committee is being asked to note the content of this report and agrees to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the contract approval with the successful ACCESS Operator.

IAN GUTSELL Chief Finance Officer

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

Local Member(s): All
Background Documents
None

Report to: **Pension Committee**

Date: **27 November 2017**

By: **Chief Finance Officer**

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

Purpose of report: **To provide a general update to the Pension Committee on matters related to the Committee activities.**

RECOMMENDATION – The Committee is recommended to note the update.

1. Introduction

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

2. Report Overview

Cash Flow Forecast and Summary

2.1 The East Sussex Pension Fund invests any surplus cash with the Fund's custodian, Northern Trust. Over the past 5 years, the East Sussex fund has been broadly cash flow 'neutral'. The estimate for the fiscal year 2017/18 is that the fund will generate a surplus of £4.6m; 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. The current/quarter two projected outturn is a surplus of £2.4m, i.e., a variation from estimate of £2.2m, mainly due to movement in the transfer 'In & Out' of the fund. Table 1 below shows the cash projection to 30 September 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	29.8	1.4
82.2	83.0	0.8
14.1	13.7	(0.4)
8.8	8.2	(0.6)
133.5	134.7	1.2
(103.3)	(103.6)	(0.3)
(20.1)	(20.8)	(0.7)
(1.8)	(1.8)	0
(3.7)	(6.1)	(2.4)
(128.9)	(132.3)	(3.4)
4.6	2.4	(2.2)

3. National Development - updates

Local Government Pension Scheme pooling and Funds Collaboration

3.1. The ACCESS pool update has been provided through a separate report to this meeting.

4. Markets in Financial Instruments Directive (MiFID II)

4.1 The Markets in Financial Instruments Directive 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. The Financial Conduct Authority ("FCA") has 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**.

4.2 The election to professional status must be completed with all financial institutions prior to the change of status on 3 January 2018. Following the recommendation at the Pension Committee meeting on 4 September 2017, which agrees to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the purposes of completing the applications, the ESPF has submitted relevant documentations to our fund managers on Friday 22 September 2017 seeking election 'opt-up' to an elected Professional Client status, (i.e., ten individual Fund Managers, Northern Trust, and Hymans Robertson LLP).

5. Appointment of a new Scheme Member (Pensioner)

5.1 As a result of an employee representative resignation from the Pension Board, there is a need to appoint a new scheme member representative on the Board. Pensioners have been contacted directly through letter, advertisement in local newspapers and on the council's website, seeking an expression of interest detailing how applicant will satisfy the requirement to represent pensioners as a Scheme Member Representative on the East Sussex Pension Board, and how applicant skills and experience will meet the challenges of the role

5.2 The deadline for submission of an expression of interest with a supporting statement is 10 November 2017, and attached is a copy of the letter, role description, and advert (Appendices 1, 2, & 3).

6. Pension Committee Agenda – February 2018

6.1 The draft agenda for the February 2018 Pension Committee meeting include the following

- LGPS Pooling – ACCESS Pool Update;
- Communications policy statement.
- Reporting Breaches
- Investment Strategy Statement
- Pension Committee/Board Training Plan

6. Conclusion and reasons for recommendations

6.1 The Committee 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
ola.owolabi@eastsussex.gov.uk

Background documents: none

**Business Services
Department**

County Hall
St. Anne's Crescent
Lewes
East Sussex
BN7 1UE



Telephone: 0345 6080 190
Website: www.eastsussex.gov.uk

.....
N.....y
.....
.....
.....
.....

date

xx October 2017

when responding please contact

Ola Owolabi

direct line 01273 482017

our ref

your ref

Dear,

Re: Appointment of a Scheme Member Representative

There is a need to appoint a replacement for a scheme member representative on the East Sussex Pensions Board, and you are invited to submit an expression of interest detailing how you will satisfy the requirement to represent pensioners as a Scheme Member Representative on the East Sussex Pension Board, and how your skills and experience will meet the challenges of the role.

The Public Service Pensions Bill sets out governance requirements for the Local Government Pension Scheme (LGPS) introduced on 1 April 2015. The bill makes it a mandatory requirement to establish a Pension Board with responsibility for assisting the Scheme Manager (East Sussex County Council) in relation to securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme.

The County Council and the Governance Committee have previously agreed the structure and established the Pension Fund Board. The Pension Board is made up of 7 members as follows:

- a. Employer representative x 3;
- b. Scheme member representative x 3;
- c. Independent Chair x 1.

The role is to represent the interests of members within the Fund and as a full member of the Board; you will play an important part in the governance and administration of the Fund. It is therefore important that you fully demonstrate as far as possible how you think you will meet the key requirements of the scheme (pensioner) member representative on the local pension board. While a level of commitment is expected there will be full training and support provided.

This is a voluntary position and offers a great opportunity to contribute at the highest levels in the governance of the Pension Fund and to benefit from your work in helping to ensure that the Fund is well managed.

Additional information about the Pension Board, agenda, notes from previous meetings are available through the link below –

<https://democracy.eastsussex.gov.uk/mgCommitteeDetails.aspx?ID=374>

If interested, I will be grateful if you can provide me with a supporting statement that addresses the key requirements within the attached member's role description. It may be helpful to consider the following types of evidence when formulating your answers:

- How you will have the time to attend meetings;
- How you will give a commitment to attending training;
- How you will represent members of the pension scheme;
- Your commitment for the tenure of the role, i.e., 4 years.

It would be helpful to also detail any knowledge or understanding you have of public sector pension schemes and the Local Government Pension Scheme. This information should be contained in no more than two sides of A4, and can be sent through the post or using the Fund e-mail at escppensionsmanager@eastsussex.gov.uk. Applicants shortlisted for interview will be contacted after the closing date below.

Please note that the submission of your expression of interest with a supporting statement closes on **10 November 2017**.

Yours

Ola Owolabi
Head of Pensions

Encl.

- Scheme Member Representative Role description

East Sussex Pension Fund

Scheme Member Representative on the East Sussex Pension Board

Role description

Summary

The role of a representative on the East Sussex Pension Board is to represent the interests of the employers/members within the Fund and channel information back to those persons effectively.

The Representative's aim is to enable the East Sussex Pension Board to fulfil their responsibilities in respect of the governance of the East Sussex Pension Fund (the Fund) in accordance with the Public Service Pension Scheme Act 2013 (PSPA13), legislation governing the Local Government Pension Scheme (LGPS) and the Code of Practice issued by the Pension Regulator.

As a full member of the Board, you will play an important part in the governance and administration of the Fund. Scheme members, employers and East Sussex County Council, as the Administering Authority (known as the Scheme Manager under PSPA13) for the Fund, will benefit from the work you do in helping to ensure that the Fund is well managed.

1. Main Responsibilities of the Representatives

The Board's role is to work closely in partnership and assist the Scheme Manager in relation to the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- Ensuring any breach of duty is considered and followed under the scheme's procedure for reporting to the Pensions Regulator and to the Scheme Manager;
- Such other matters as the scheme regulations may specify;
- Assisting the Chair to ensure the effective and efficient governance and administration of the scheme.

2. Duties

Representatives will be required to:

- Prepare for all meetings in advance, including reading all papers and minutes,
- Contribute to setting the agenda for meetings,
- Actively participate in meetings,
- Show respect to other Board members,
- Assist the Chair in the effective running of meetings
- Have due regard for members and employers when making decisions

3. Conflicts of Interest

East Sussex Pension Board members will be required to adhere to the County Councils Conflicts of Interest Policy. All conflicts of interest must be declared on appointment to the Board and if/when they occur.

4. Training and Knowledge

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board. East Sussex Pension Board members will be required to undertake a personal training needs analysis and to regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

Members are expected to attend training opportunities and maintain a wider interest in the subject, beyond formal intervention, in order to provide rigour and challenge to the Pension Panel.

Every member of the Pension Board must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme

Every member of the Pension Board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations

Members of the Pension Board must meet key attendance and training requirements as detailed in the Terms of Reference of the Pension Board.

5. Qualities expected of Representatives

- Commitment to the role
- Integrity, vision and good/independent judgment
- A willingness to devote the necessary time and effort to their duties as Representatives
- Ability to help formulate recommendations
- Good communication skills
- Tact and diplomacy
- Willingness to speak one's mind and listen to the views of others
- Understanding of the legal responsibilities and liabilities of an East Sussex Pension Board member.

6. Desirable experience and knowledge

- Knowledge and experience of governance or management of work based pension schemes and the regulatory bodies involved
- Knowledge of the local government pension scheme
- An awareness of the practices and policies about the administration of the LGPS including -
 - Pension fund administration and governance
 - Pension fund investment management
 - Pension fund liability management
- Experience of committee/trustee work
- The law relating to pensions
- Any matters which are prescribed in regulations.

7. Time Consideration

The Board meets at least 4 times a year. In addition to meetings, contact electronically or by telephone may be necessary. The time commitment for a representative is expected to be 1 a day per month on average which will include training.

Advert for publication on our website and County local newspapers

Looking for an opportunity to shape the delivery of pension services for the East Sussex Pension Fund?

East Sussex County Council (ESCC) as the 'Administering Authority' is looking for a pensioner with experience and enthusiasm to be part of the East Sussex Pension Fund's (ESPF) pension board and ensure the members' benefits are secure, paid on time and to the right people whilst acting in line with the legal framework surrounding pensions.

We are seeking nominations from scheme members (pensioners) who can bring experience and enthusiasm to this exciting representative role.

You will work closely with the officers responsible for the pension arrangements of the East Sussex Pension Fund to ensure the compliance with pensions legislation and requirements imposed by the Pensions Regulator. More importantly you will ensure the effective governance and administration of the Fund to ensure that members of the Pension Scheme receive the best attention and a modern pension service.

Want to know more? Details of the roles and responsibilities are available on the ESCC and the ESPF websites at www.eastsussex.gov.uk or www.eastsussexpensionfund.org

If interested, please provide a supporting statement detailing the knowledge or understanding you have of public sector pension schemes and the Local Government Pension Scheme. This information should be contained in no more than two sides of A4, and can be provided using the Fund email at esccpensionsmanager@eastsussex.gov.uk Applicants shortlisted for interview will be contacted after the closing date below.

Please note that the deadline for submission of your expression of interest with a supporting statement is **10 November 2017**.

This page is intentionally left blank

Report to: **Pension Committee**

Date: **27 November 2017**

By: **Head of Pensions**

Title of report: **Pension Fund Board/Committee Forward Plan 2017/18**

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

RECOMMENDATIONS – The Committee is recommended to note the content of this 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 training session covering ‘The role of the Board/Committee within the ACCESS LGPS Pool; and Updates from the Pension Fund Regulator’ on 26 September 2017, the next joint training session is scheduled to take place on 24 January 2018. The proposed topics for the session will be on Pensions Governance.

5. Conclusion and reasons for recommendations

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

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

Local Member(s): All

This page is intentionally left blank

EAST SUSSEX PENSION FUND

PENSION COMMITTEE/BOARD FORWARD PLAN 2017-18

November 2017

Contents

Introduction	Page 3
Key documents to be considered	Page 3
Forward /Business Plan	Page 6
Pension Board/Committee Training Strategy	Page 10
Pension Board/Committee Training Plan	Page 17

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 COMMITTEE – FORWARD/BUSINESS PLAN

PENSION COMMITTEE FORWARD/BUSINESS PLAN					
Date	November 2017	February 2018	May 2018	July 2018	September 2018
Item					
1	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	External Audit and Annual Report Approval	LGPS Pooling – ACCESS Pool Update
2	Asset Pooling – Passive Investment Procurement	Communications policy statement	Discretionary policy statement	Investment Strategy review day	Annual review of the Fund's ESG approach
3	ACCESS Operator Procurement	Reporting Breaches	External Assurance Reports from Third Parties		Review on the investment strategy and Manager benchmarking
4	Annual Benefit Statement - update/ GMP Reconciliation update	Investment Strategy Statement	Bulk, Transfer, Cessations and Admission policies		
5	Environmental, Social and Governance (ESG) – update				
6	Option appraisal of services offered by other administration system providers.	Pension Committee/Board Training Plan			
7.	East Sussex Pension Fund: Independent Advisor				

Recurring items

Item	
1	Pension Board Minutes
2	Quarterly Performance Report - Hymans Robertson
3	Fund Performance – Fund Manager Presentation
4	Officers' Report - Business Operations
5	Officers' Report - General Update
6	Forward Plan

2. PENSION BOARD – FORWARD/BUSINESS PLAN

PENSION BOARD FORWARD/BUSINESS PLAN				
Date	November 2017	February 2018	May 2018	August 2018
Item				
1	Pension Committee Agenda	Pension Committee Agenda	Pension Committee Agenda	Pension Committee Agenda
2	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update
3	Proposals for Vice Chair position	Policies of the administering Authority <ul style="list-style-type: none"> · conflicts of interests · record-keeping/meeting attendance · data protection and freedom of information 	Annual Report	Third party contracts
4	ESG report considered by the Committee in September	Risk register		Review on fee arrangements
5	Meeting the Training Requirements - Board Members	Communications policy statement		
6	Annual Benefit Statement - update			
7	ESPF Customer Survey results			
8	GMP Reconciliation - update			

Recurring items

Item	
1	Officers' Report - Business Operations
2	Officers' Report - General Update
3	Forward Plan

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	26 September 2017	
Managing Risks	26 September 2017	
Administration	26 September 2017	
Resolving Issues	26 September 2017	
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	3 November 2017	
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	18 July 2016	
Understanding the Financial Markets	3 November 2017	
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	13 June 2017	
Additional Training		
LGPS discretions & policies	26 January 2017	
Safeguarding the Fund's Assets	26 January 2017	
Developing Investment Strategies Statement	26 January 2017	
Role of the Global Custodian – Northern Trust	26 January 2017	
Pensions legislative & Governance	26 October 2016	
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.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank