



PENSION BOARD

MONDAY, 26 JUNE 2017

10.00 AM CC1, COUNTY HALL, LEWES

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

AGENDA

- 1 Minutes (*Pages 3 - 8*)
- 2 Apologies for absence
- 3 Disclosure of interests
- 4 Urgent items
Notification of any items which the Chair considers urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Committee Agenda (*Pages 9 - 12*)
- 6 Draft Pension Fund Annual Report - 2016/17 (*Pages 13 - 72*)
- 7 External Assurance Report from Third Parties (*Pages 73 - 80*)
- 8 Pension Administration Statement (*Pages 81 - 96*)
- 9 Markets in Financial Instruments Directive (MiFID II) - Update (*Pages 97 - 98*)
- 10 Pension Fund Risk Register (*Pages 99 - 110*)
- 11 Local Pension Board Survey (*Pages 111 - 112*)
- 12 Guaranteed Minimum Pensions (GMPs) Reconciliation - Update (*Pages 113 - 130*)
- 13 Officers' Report - Business Operations (*Pages 131 - 134*)
- 14 Officers' Report - General Update (*Pages 135 - 136*)
- 15 Work programme (*Pages 137 - 170*)
- 16 Any other items previously notified under agenda item 4

PHILIP BAKER
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16 June 2017

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 9 February 2017.

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

ALSO PRESENT Councillor David Elkin, Lead Member for Resources
Councillor Richard Stogdon, Pension Committee Chair
Brian Smith, Regional Operations Manager
Ola Owolabi, Head of Accounts and Pensions
John Shepherd, Finance Manager (Pension Fund)
Graham Devenish, Pensions Operation Manager
Harvey Winder, Democratic Services Officer

33 MINUTES

33.1 The Board agreed that the minutes were a correct record of the meeting held on 3 November 2016.

34 APOLOGIES FOR ABSENCE

34.1 Apologies for absence were received from Tony Watson.

35 DISCLOSURE OF INTERESTS

35.1 There were none.

36 URGENT ITEMS

36.1 There were none.

37 PENSION COMMITTEE AGENDA

37.1 The Board considered a report on the Pension Committee's agenda for its 27 February meeting. The reports were introduced by Ola Owolabi (OO), Head of Accounts and Pensions.

37.2 In reference to **Item 9: Investment Strategy Statement (ISS)**, the Chair invited representatives of Divest East Sussex to speak about their document titled "Managing Climate Risk: Proposed Additions for ESPF's new Investment Strategy".

37.3 Councillor Kevin Allen (KA) and Angie Embury (AE) questioned why under the section "How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments" the fund appears to be

excluded from divesting, boycotting or sanctioning foreign governments or UK defence industries when the funds' members may object to investing in UK defence industries. OO said that the wording was in line with the requirements of the LGPS Management & Investment of Funds Regulations 2016 which prohibits funds from being able to disinvest from UK defence industries and foreign governments for non-financial reasons.

37.4 KA said that the Pension Committee should consider acting as a front runner in reducing investment in fossil fuels if it can be done whilst upholding its fiduciary duty.

37.5 Sue McHugh (SM) said that the Pension Committee's fiduciary duty towards the ESPF means it cannot take a blanket decision to not invest in an any industry without strong enough evidence that it will not impact negatively on investment returns. The financial risk sits with the ESPF and employers rather than individuals, so the Committee members should not take a decision that they might do in their capacity as an individual if it causes financial risk to the pension fund and its employers.

37.6 OO explained that the investment managers working on behalf of the ESPF will invest according to the Fund's beliefs as set out in the ISS. The Local Authority (LAPFF) has a strong ethical stance and also helps to guide where investments should be made on behalf of other local government pension funds.

37.7 SM asked, in reference to the section "Investment of money in a wide variety of investments", how much of the total value of all investments was in entities which are connected with East Sussex County Council (noting that the legal maximum was 5%). OO confirmed that no investments were in entities connected to the Council. He added that the viability of local investment had previously been looked at but none were found to yield a reasonable return.

37.8 AE asked how ACCESS fund pooling would affect the varied investment strategies of individual member funds. OO explained that all 11 funds will retain their strategies and invest in the same asset classes as decided by their respective Pension Committee. The difference will be that each asset class, e.g., absolute return or property, will be managed by a single investment manager – instead of 11 individual managers – who will invest on behalf of all of the ACCESS members that allocate funds into that asset class. This will deliver benefits of scale by reducing the investment manager fees.

37.9 The Chair asked what infrastructure projects ESPF is investing in. John Shepherd (JS) said that the 2% of the fund allocated to infrastructure is held by investment mutual funds that hold a portfolio of worldwide infrastructure investments, rather than holding a large stake in an individual infrastructure project.

37.10 In reference to **Item 10: Funding Strategy Statement (FSS)**, the Chair asked whether there was a significant difference between the new FSS and the previous strategy. OO confirmed that there was no significant difference but the employer contribution rate has reduced since the outcome of the triennial valuation and the FSS needed to be amended to reflect that.

37.11 Councillor Brian Redman (BR) questioned whether the salary growth projections up to 2019 in the triennial evaluation were an underestimate given the potential higher inflation and the increasing demand for public sector wage rises it will create. OO said that the projection took into consideration not just the next three years but also long term projections to help ensure that the ESPF will not be underfunded by 2019. The Chair added that the Institute of Fiscal Studies had recently reported that the percentage of GDP spent on the public sector had reached an all time low, there has been a retrenchment of the overall number of public sector workers in the past few years, and austerity is expected to continue for the next 6-8 years. This meant that it is unlikely that there would be an excessive increase in public sector pay.

However, the report also projected tax increases in the next few years, and AE suggested that this could put pressure on demands for pay increases.

37.12 In reference to **Item 11: Pension Fund Cost Analysis**, the Chair observed that it was difficult to know whether the pension administration was good value for money because of the imprecision of benchmarking. He added that there was not a lot of variation in the costs since 2012/13 but it appeared that performance was going in the right direction.

37.13 Brian Smith (BS), Head of Operations, said that the CIPFA benchmarks were a comparison of 38 local authorities that had volunteered their performance figures and were not a complete picture; however, they were the best available comparison.

37.14 In reference to **Item 14: Pension Fund Budget for 2017/18**, the Chair asked how the budget would remain exactly the same for the next financial year. OO explained that this would be achieved by renegotiating fees with investment managers and the increase in the value of the fund.

37.15 The Chair asked whether the budget outturn for this financial year would be in line with the budget projections. OO expected that there would be an underspend as the Guaranteed Minimum Pension (GMP) reconciliation money committed for 2016/17 will not be committed this year.

37.16 BR asked whether the £100,000 committed to GMP reconciliation this year would be carried over to next year. OO said the £100,000 will be reinvested into the fund and the £120,000 for 2017/18 was a separate amount.

37.17 The Chair said that the £66,000 reduction in actuarial fees next year would be due to the fact that there was a triannual valuation during 2016/17. The £30,000 reduction in specific actuarial work on behalf of employers would be for the same reason.

37.18 OO noted that there was an error in the variance in the cost of investment consultancy for 2017/18 which was £0 and not £8,000.

37.19 The Board RESOLVED

1) to note the Pension Committee reports; and
2) to recommend that the Pension Committee approve the Investment Strategy Statement (ISS) subject to the addition of an expanded description of how the ESPF influences investment managers to consider ESG factors when making investments.

38 EXTERNAL AUDIT PLAN FOR EAST SUSSEX PENSION FUND 2016/17

38.1 The Board considered a report on the External Audit Plan for East Sussex Pension Fund for 2016/17.

38.2 The Chair commented that a materiality of 1% of net assets seemed very high given that this equated to £27 million. He said it would make more sense to make it 1% of the pension administration costs. OO said that although the materiality level was high, non-trivial and trivial errors would still be recorded and reported by the external auditors. Furthermore, the materiality is classified as “creeping materiality”, so the £27 million trigger would be a cumulative figure of all errors discovered in the accounts, at which point the external auditor could issue a qualified opinion.

38.3 SM asked whether the external auditor was in a position to comment on investments and not just accounts. OO said that there were statutory requirements for the external auditor to discuss concerns about investments with pension fund officers, the Committee and the Pension Board.

38.4 The Board RESOLVED to note the report.

39 PENSION BOARD INSURANCE ARRANGEMENTS

39.1 The Board considered a report on the Pension Board Insurance Arrangements.

39.2 The Chair explained that although the Board did not take decisions, it could still be considered negligent if it failed in its duty to report breaches of the law to the Pension Fund Regulator. However, only two of 89 pension boards had so far opted to acquire an insurance premium to cover potential liability. He recommended that the Board defer this recommendation to the Committee until such time as more pension boards had opted for the insurance premium.

39.3 SM observed that as only Aon Risk Solutions was offering this insurance policy, the value of the asking price could not be verified against a market average. This made it more prudent to wait until the market matured.

39.4 The Board RESOLVED to:

- 1) note the report; and
- 2) defer the recommendation to the Pension Committee to approve the Pension Board Insurance premium for payment until the next meeting on 26 June 2017.

40 REPORTING BREACHES POLICY

40.1 The Board considered a report on the Reporting Breaches Policy.

40.2 The Chair observed that, in light of the legal advice about the potential risk to pension boards for failure to report breaches, all breaches, even those that the Monitoring Officer and Chief Finance Officer do not consider material, should be reported to the Board.

40.3 The Board resolved to:

- 1) note the report; and
- 2) recommend that all material and non-material breaches are reported to the Pension Board.

41 BUSINESS OPERATIONS SYSTEMS - UPDATE

41.1 The Board considered a report providing an update on the effectiveness of the current LGPS administration system used by Business Operations and market alternatives.

41.2 The Chair asked for confirmation that, in line with the Pension Committee's decision in March 2016, there was still an opportunity to activate the 3-year break clause in the contract with Heywood if necessary. BS confirmed that with the assistance of procurement, who will provide an independent view, a review of the alternative LGPS administration system provided by Civica would be completed by December 2017, allowing time for a procurement process to be completed before the 3-year break clause period is reached in March 2019.

41.3 The Board RESOLVED to note the report.

42 OFFICERS' REPORT - BUSINESS OPERATIONS

42.1 The Board considered a report providing an update on the work of the Business Operations Team.

42.2 Graham Devenish (GD), Pension Operations Manager, said that the Pension Regulator is recommending GMP reconciliation tolerance level of £2, although the impact this will have on individual scheme members will vary. There is also the possibility that scheme members may owe the Fund and in theory this money could be clawed back. The cost of pursuing individual cases to the nearest penny may cost ESPF more than accepting a tolerance level of £2. GD added that HMRC's deadline for closing their GMP records in December 2018 is very unlikely to change and only a limited service will continue after that date.

42.3 BR asked for clarity about whether the budget of £120,000 for 2017/18 will be sufficient to cover GMP reconciliation costs. GD said that ITM provided a stage 1 report for both Surrey and East Sussex at a lower cost due to the benefits of scale. The report compared a database of scheme members against HMRC records to find where there were mismatches; 15-20,000 people may be liable for GMP reconciliation but it is not clear yet the cost of this liability to ESPF. ITM's involvement in the process is expected to cost £160,000 for both funds, which is well within the ESPF budget for 2017/18 or £120,000.

42.4 BR asked why the audit, actuary and ICT costs were around 60-70% higher than the benchmark. BS clarified that the CIPFA ICT benchmarking was a year behind and did not account for the reduced costs realised by the new pension administration system procured in April 2016. The Chair said that the audit fee was only £19,000 and so the fact it was comparatively higher did not have a significant impact.

42.5 BR observed that the overall cost of actuarial work was considerable when taking into consideration the work performed by the actuary on the behalf of specific employers, which is recharged to the Fund. SM said that the process of having the actuary produce bespoke financial statements for employers that are then independently checked was inefficient and there was no national discount rate. OO said that the ongoing savings at district, borough and unitary authorities involved redundancies that might have pension implications and so it was necessary for the actuary to check for these.

42.6 The Board resolved to note the report.

43 OFFICERS' REPORT - GENERAL UPDATE

43.1 The Board considered a general update on pension issues.

43.2 The Board RESOLVED to note the report.

44 FORWARD PLAN

44.1 The Board considered its forward plan.

44.2 The Board RESOLVED to note the report.

45 EXCLUSION OF THE PUBLIC AND PRESS

45.1 The Board RESOLVED to exclude 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).

46 PENSION COMMITTEE AGENDA - EXEMPT REPORT

46.1 The Board considered the exempt report of the Pension Committee agenda: LGPS Asset Pooling – ACCESS Inter Authority Agreement.

46.2 The Board RESOLVED to note the report.

The meeting ended at 12.04 pm.

Richard Harbord (Chair)
Chair

Report to: Pension Board

Date of meeting: 26 June 2017

By: Chief Operating Officer

Title: Pension Committee Agenda

Purpose: To consider and comment on the draft agenda of the 17 July Pension Committee meeting

RECOMMENDATION

The Board is recommended to consider and comment on the draft agenda for the 17 July 2017 Pension Committee meeting.

1. Background

1.1 The draft agenda for the 17 July 2017 Pension Committee is presented to the Pension Board for information. The majority of items for consideration by the Committee are also due to be considered by the Board.

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

2. Conclusion and recommendation

2.1 The Board is recommended to consider and comment on the draft agenda for the 17 July 2017 Pension Committee meeting.

KEVIN FOSTER
Chief Operating Officer

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Background Documents
None

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PENSION COMMITTEE

MONDAY, 17 JULY 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
- 2 Apologies for absence
- 3 Disclosure of Interests

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

Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Board Minutes
- 6 Independent Auditor's (KPMG) Report to those charged with governance and Annual Report 2016/17
- 7 Pension Administration Statement
- 8 GMP Reconciliation – update
- 9 Pension Administration System
- 10 Any other items previously notified under agenda item 4

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7 July 2017

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Draft

Report to: **Pension Board**

Date: **26 June 2017**

By: **Chief Operating Officer**

Title of report: **Draft Pension Fund Annual Report – 2016/17**

Purpose of report: **To provide the Pension Board with the Pension Fund's draft 2016/17 Annual Report**

RECOMMENDATIONS

The Pension Board is recommended to :

- 1) note the Draft Annual Report, and financial performance of the Pension Fund, which will be submitted for final audit in June 2017;**
 - 2) note that the audited Pension Fund Annual Report will be presented to the Pension Committee for approval at its meeting on 17 July 2017.**
-

1. Background

1.1 There is a statutory requirement to prepare the pension fund accounts for each financial year, and there is also a requirement that the draft accounts be presented to Members for approval. The purpose of this report is to provide the Pension Board with the draft Pension Fund's 2016/17 Annual Report, (Appendix 1) which is subject to audit. This report provides an overview of the year end financial position and the assets of the Pension Fund as at 31 March 2017.

2. Supporting Information

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

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

3. Conclusion and reasons for recommendations

3.1 The draft 2016/17 Pension Fund Annual Report is subject to the normal audit of accounts process, which started on 5 June 2017 and will forms part of the final audit programme for the Council. The External Auditor (KPMG) will provide an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance.

KEVIN FOSTER
Chief Operating Officer

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Background Documents

None

East Sussex Pension Fund Annual Report and Accounts

2016/17

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1. Introduction

Local Government Pension Scheme

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

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

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

Currently within the East Sussex Pension Fund there are 127 participating employers. A full list of participating employers is given at note 29.

Administering Authority Responsibilities

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

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

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

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

A major responsibility of the County Council as the administering authority is to undertake a valuation of the Pension Fund’s assets and liabilities (triennial valuation). The main purpose of this exercise is to assess the size of the Fund’s current and future liabilities against the Fund’s assets, and then set the employer contribution to the Fund for each participating employer for the following three year period. The most recent actuarial valuation of the Fund was carried out as at 31 March 2016. In addition to the triennial valuation of the Pension Fund, the County Council also receives requests each year from scheme employers to obtain appraisal reports from the Fund actuary, to enable them to comply with requirements of the Financial Reporting Standards FRS102 or IAS19. The provision of these reports, however, falls outside of the functions of the County Council as an administering authority.

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

Changes affecting the LGPS, and future developments

In line with the Public Service Pensions Act 2013, the East Sussex Pension Fund set up a Pensions Board. The Pension Board consists of 3 Employer representatives, 3 Scheme member representatives and an independent chair. The Board met for the first time in July 2015 and meets no less frequent than four times a year:

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

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

LGPS Investment Pooling

In the July 2015 budget the government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments in order to achieve savings in investment management costs. Following this in the Autumn Statement, the government published the criteria for the pooling of LGPS investment assets. Alongside the guidance, the Government published a consultation on the LGPS - Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, i.e., on "backstop" legislation that would allow the Secretary of State to determine the pooling arrangements for those administering authorities that do not come forward with sufficiently ambitious proposals to pool their assets with others.

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

In response to the government agenda, the East Sussex Pension Fund Committee formally ratified the option of joining the ACCESS (i.e., 'A Collection of Central, Eastern and Southern Shires') Pool. The East Sussex Pension Fund (ESPF) is a leading participant within the ACCESS pool, with 10 other administering authorities underpinning the establishment of the pool. ACCESS contains the following other funds:

- | | | |
|-------------------|---------------------|-------------------|
| 1. Cambridgeshire | 5. Norfolk | 8. Hertfordshire |
| 2. Kent | 6. Essex | 9. Suffolk |
| 3. Hampshire | 7. Northamptonshire | 10. Isle of Wight |
| 4. West Sussex | | |

ACCESS's collaboration was based on pooling investments via a Collective Investment Vehicle (CIV) that would be administered and maintained by a third party Operator. The eleven participating authorities have a clear set of objectives and principles that will drive the decision-making and allow participating authorities to continue to help shape the design of the Pool.

Objectives

2. Enable participating authorities to execute their fiduciary responsibilities to Local Government Pension Scheme (LGPS) stakeholders, including scheme members and employers, as economically as possible.
3. Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
4. 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.

Principles

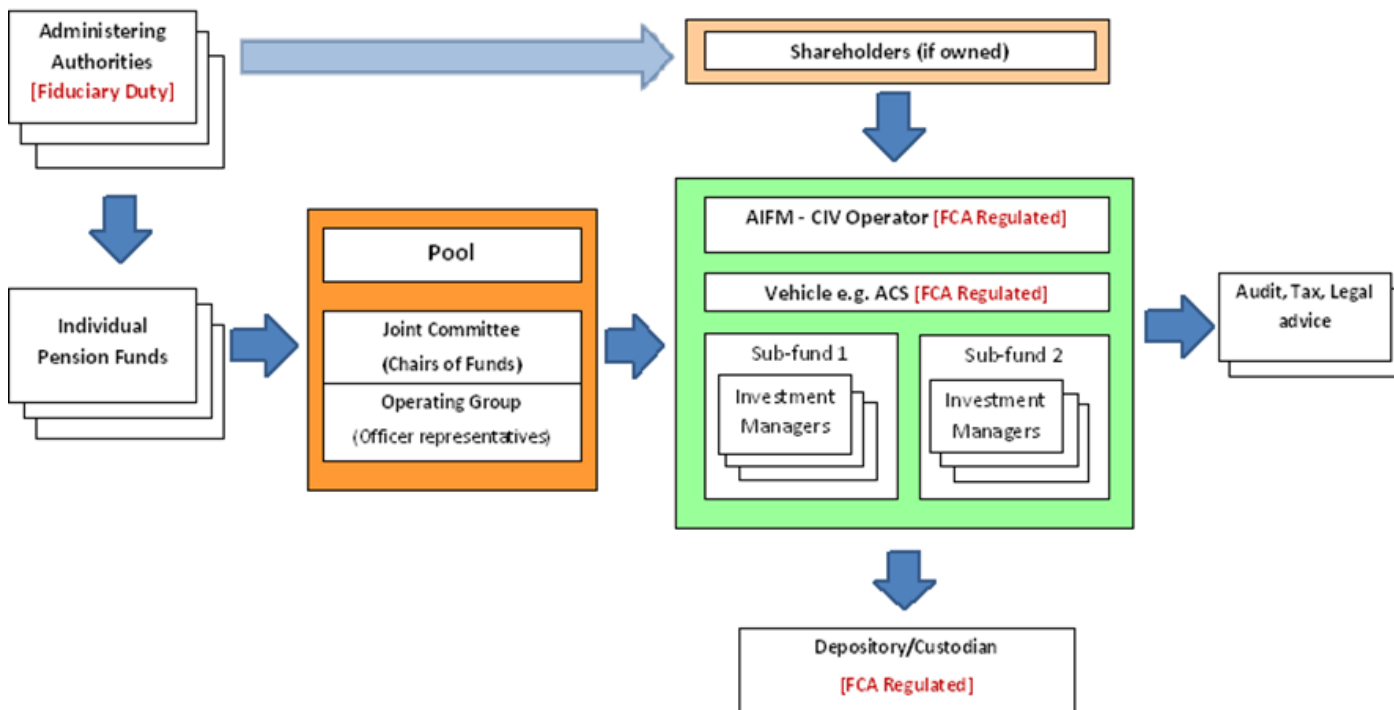


The ACCESS pool places great store on objective, evidence based decision making guided by a set of principles agreed by the participating authorities which has served us well to date and will continue to do so in the future. ESPF and the group continue to believe that our proposals will meet government objectives and enable participating authorities to retain democratic accountability and exercise their primary fiduciary responsibility to LGPS stakeholders, including scheme members and employers, as economically as possible.

The total value of assets to be held within the Pool, once the transition is complete, will be in excess of £33b. This assumes that passive assets currently held in Life Policies will be considered to be within the Pool, although the Life Policies will remain an agreement between the participating authority and the appointed external investment manager(s).

The procurement of an operator for a £30bn+ pool of assets is a complex issue and therefore the selection process and the related contract terms need to be carefully managed.

The Pool will be renting an Operator which will be a fully Financial Conduct Authority (FCA) regulated Collective Investment Vehicle (CIV) to build and operate the collective investment scheme for the participating Funds.



Governance arrangements have been agreed, which set out the relationships involved in the above diagram. This Inter Authority Agreement (IAA) was put forward for Individual Authority (including East Sussex County Council) approval in February/March 2017. The IAA will be formalised and executed by each Individual Authority between May and June 2017 and will come into effect on the date of the first formal Joint Committee meeting which should be in July 2017.

5. Management and financial performance report

Scheme management and advisers

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

2016/17 Pension Committee Members

East Sussex County Councillors: Richard Stogdon (Chairman)
Frank Carstairs
Michael Wincott

Bob Standley
David Tutt

2015/16 Pension Board Members

Independent Chairman: Richard Harbord
Employer Representative: Councillor Kevin Allen
Councillor Brian Redman
Sue McHugh
Member Representative: Angie Embury
Bernadette Carlyle
Tony Watson

Brighton & Hove City Council
Districts & Borough Councils
Educational Bodies
Active & Deferred
Active & Deferred
Pensioners

FUND MANAGERS: Adams Street Partners
Legal and General
Prudential M&G
State Street Global Advisers

Longview Partners
Ruffer
UBS Infrastructure

Harbourvest
Newton
Schroders

CUSTODIAN: Northern Trust

AVC PROVIDER: Prudential

ACTUARY: Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB

LEGAL ADVISORS: Appointed from National LGPS Framework for Legal Services

BANKERS TO THE FUND: NatWest Bank

TREASURER: Kevin Foster
Chief Operating Officer (Section
151 Officer)
East Sussex County Council

AUDITOR: KPMG

SCHEME ADMINISTRATOR: East Sussex County Council

ADMINISTRATION PROVIDER: Orbis Business Operations

INVESTMENT ADVISER: Hymans Robertson

INDEPENDENT ADVISER: William Bourne

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Investments

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LGPS policy or statutory requirements

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Day-to-Day Matters

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Risk management

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

Risk is identified and managed as follows:

Management Risk:

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

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

Benefits Administration Risk:

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

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

Internal Control Framework:

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

Investment risk:

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

The ESPF Investment Strategy Statement (see page 56) which has replaced the Statement of investment Principles, sets out the governance requirements for the ESPF and it is reviewed annually by members. The Pension Fund receives external assurance reports from Investment Managers and the Custodian, detailing their internal control systems, scrutinised by their external auditors. Each report is reviewed when available and the conclusion of each was that the control procedures are suitably designed and operated during the 12 months period under review.

Financial performance

Analytical Review

The following tables provide a brief review of the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report on pages 11 to 15.

	2015/16 £000	2016/17 £000
Fund Account		
Net (Contributions)/withdrawals	(410)	(5,970)
Management Expenses	13,465	13,591
Return on Investments	(37,871)	(578,699)
Net Increase in Fund	(24,816)	(571,078)

	2015/16 £000	2016/17 £000
Net Asset Statement		
Bonds	429,154	478,519
Equities	290,442	341,077
Pooled Funds	1,961,280	2,373,593
Cash	79,131	134,212
Other	5,125	7,411
Total Investment Assets	2,765,132	3,334,812
Non-Investment Assets	6,233	7,631
Net assets of the fund available to fund benefits at the year end.	2,771,365	3,342,443

Analysis of pension contributions

The table below shows the number of primary pension contributions received late in the financial year 2016/17.

Month	Employers	Number of Payments Received Late
April	113	6
May	115	1
June	116	2
July	116	3
August	116	4
September	117	2
October	120	6
November	124	7
December	124	6
January	125	3
February	127	7
March	128	3

No interest was charged on any of the late payments.

Forecasts

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

Fund Account	2015/16		2016/17		2017/18
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Contributions	(124,200)	(123,819)	(131,600)	(130,372)	(133,500)
Payments	118,900	123,409	122,400	124,402	157,100
Administration expenses	1,620	1,065	1,450	1,037	1,110
Oversight and governance costs	590	741	680	743	660
Investment expenses:					
fees invoiced to the fund	9,010	8,229	8,850	7,775	8,850
fees deducted at source	-	3,430	-	4,036	-
Net investment income	(27,300)	(41,590)	(30,500)	(42,669)	(44,400)
Change in market value	(198,000)	3,719	(203,200)	(536,030)	(197,600)
Net increase in the Fund	(219,380)	(24,816)	(231,920)	(571,078)	(207,780)

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

Net Asset Statement	2015/16		2016/17		2017/18
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Equities	1,845,600	1,701,964	1,831,300	2,158,436	2,307,400
Bonds	454,300	429,154	457,500	478,519	510,100
Property	309,100	322,775	347,000	321,767	348,500
Alternatives	251,500	226,983	246,500	234,467	253,700
Cash	78,500	79,131	80,400	134,212	104,800
Other	11,400	5,125	7,100	7,411	7,900
Total Investment Assets	2,950,400	2,765,132	2,969,800	3,334,812	3,532,400

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

Asset Class	Long Term Forecast Return
Equities	6.9%
Bonds	6.6%
Property	8.3%
Alternatives	8.2%
Cash	3.6%
Total Fund	6.8%

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

Management Expenses

	2015/16		2016/17		2017/18
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Orbis Finance Support Services	50	54	40	37	40
Orbis Business Operations Support Services	770	712	770	970	970
Supplies and Services	800	299	440	30	100
Administration total	1,620	1,065	1,250	1,037	1,110
Oversight and governance costs					
Orbis Finance Support Services	240	182	200	229	200
Supplies and Services	360	555	480	529	460
Third Party Payments	160	118	180	133	150
Other Income	(170)	(114)	(180)	(148)	(150)
Oversight and governance total	590	741	680	743	660
Investment Management					
Investment expenses:					
fees invoiced to the fund	9,010	8,229	8,850	7,775	8,850
fees deduced at source	-	3,430	-	4,036	-
Investment Management Total	9,010	11,659	8,850	11,811	8,850
Management Expenses Total	11,220	13,465	10,780	13,591	10,620

Pension overpayments

	2014/15		2015/16		2016/17	
	Number	Value £000	Number	Value £000	Number	Value £000
Overpaid Pensioners	40	22	44	34	73	61
Recoveries	31	14	38	23	45	30
Write Off	1	1	-	-	2	4
Outstanding	8	7	6	11	26	27

3. Investment policy and performance

Bodies which the fund is member, subscriber or signatory

Pensions and Lifetime Savings Association

Local Authorities Pension Fund Forum

CIPFA Pensions Network

Club Vita

Local Government Association (LGPC)

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

Current Investment Arrangements

The Pension Committee (“the Committee”), in working towards the Fund’s long-term objectives, agreed to make slight changes to the Fund’s asset allocation and investment manager structure over the course of the financial year to 31 March 2017. In addition the Fund has introduced its Investment Strategy Statement, in line with the new investment regulations.

At the end of March 2017, \$40m was committed into the HarbourVest HIPEP VIII Partnership Fund. This is part of the Fund’s strategy to diversify some of the equity exposure by making annual allocations to unquoted equity. This allocation is expected to lead to higher returns over the longer term, without adding significantly to the Fund’s overall risk (which is consistent with the objectives of the Fund).

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

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

1. Asset Allocation

Although the benchmark is heavily weighted towards equities (as the asset class expected to provide the highest return over the medium to long term), there is a significant exposure to property and infrastructure (“real” assets with a different performance cycle to equities) and a small exposure to bonds (which more closely “match” the Fund’s liabilities). The allocation to absolute return mandates provides further diversification. Uniquely, within these latter mandates, the managers have the flexibility to alter asset allocation between asset classes. Within equities, diversification is achieved by investing in different markets across the world and using different benchmarks which provides exposure to many different stocks and sectors.

Over the course of the year, the Fund has continued to develop its governance arrangements, introducing a set of Investment beliefs and progressing its approach to environmental, social and governance issues.

2. Manager Structure

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

- Legal & General Investment Management remains the Fund’s largest single equity manager; all of the assets are managed passively against UK and Global equity market benchmarks. The Fund has one active global equity manager (Longview). The Fund’s remaining equity manager State Street offers additional diversification from Legal & General’s market capitalisation based passive management approach, through the fundamental indexation mandate. The Committee maintains the belief that global equity mandates offer the most efficient way to access world equity markets.
- The two absolute return managers are expected to add diversification away from the Fund’s other mandates, due to their flexible and unconstrained management approach.
- A single property manager is employed (Schroders); however, the “fund of fund” approach provides manager diversification within the underlying holdings.
- Corporate bonds and absolute return bonds are managed by M&G. Index-linked bonds are managed by Legal & General.

- The Fund's allocations to infrastructure and unquoted equities are split into four portfolios, each managed by separate managers.

The objective is to seek to ensure:

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

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

Custodian

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

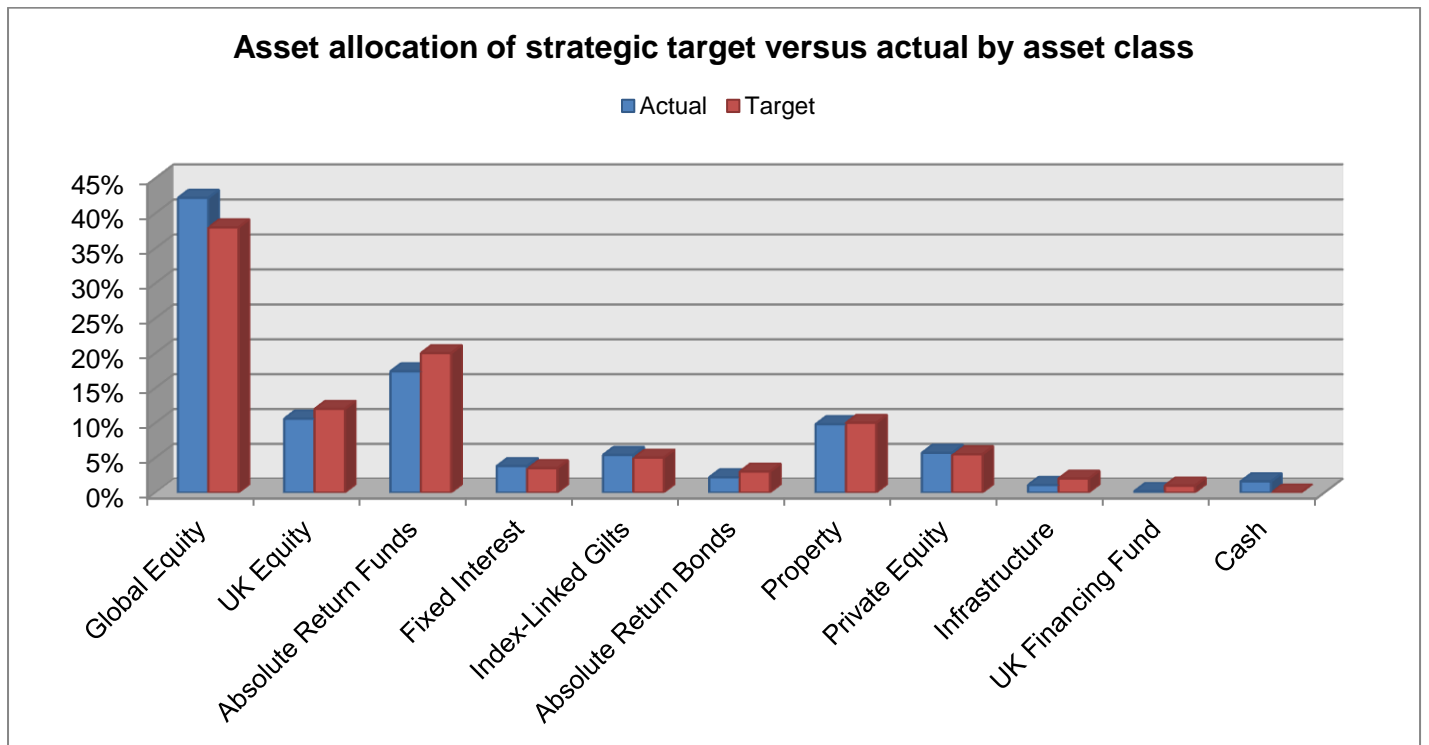
The responsibilities of the Custodian are:

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

Asset allocation

Mandate	Value (£m)	Proportion (%)		Value (£m)	Proportion (%)	
	Q1 2016	Actual	Target	Q1 2017	Actual	Target
L&G - Global Equities	385.5	13.9%	15.5%	516.3	15.5%	15.5%
Longview - Global Equity	180.7	6.5%	5.0%	233.2	7.0%	5.0%
State Street - Fundamental Indexation	483.1	17.5%	17.5%	657.4	19.7%	17.5%
L&G - UK Equities	289.6	10.5%	12.0%	354.4	10.6%	12.0%
Newton - Absolute Return	253.2	9.2%	10.0%	285.9	8.6%	10.0%
Ruffer - Absolute Return	240.3	8.7%	10.0%	292.6	8.8%	10.0%
L&G - 5yr ILG	147.2	5.3%	5.0%	179.6	5.4%	5.0%
M&G - Bonds	179.2	6.5%	6.5%	200.9	6.0%	6.5%
Schroder - Property	325.9	11.8%	10.0%	327.9	9.8%	10.0%
M&G - Infrastructure Fund	28.7	1.0%	1.0%	14.0	0.4%	1.0%
UBS - Infrastructure	20.7	0.7%	1.0%	22.8	0.7%	1.0%
Adams Street - Private Equity	88.6	3.2%	2.8%	101.6	3.0%	2.8%
HarbourVest - Private Equity	79.3	2.9%	2.7%	89.8	2.7%	2.7%
M&G - UK Financing Fund	8.5	0.3%	1.0%	5.2	0.2%	1.0%
Cash account	54.6	2.0%	0.0%	53.2	1.6%	0.0%
Total	2,765.1	100.0%	100.0%	3,334.8	100.0%	100.0%

Set out below is the Fund's strategic target and actual allocations at the end of the 2016/17 financial year.



Investment performance

The Fund delivered an absolute return of 20.3% over the twelve month period to 31 March 2017, outperforming its customised benchmark by 1.4%. Note 30 on page 54 gives further detail on the total fund performance.

Actual and benchmark performance for each of the Fund's mandates is provided in the table below, over 12 months 3 years and 5 years^[1]. Results are considered by the Investment Panel on a quarterly basis and the Fund members on an annual basis as part of this report.

Mandate	1 year			3 year (p.a.)			5 year (p.a.)		
	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*	Fund	Benchmark	Relative*
L&G - Global Equities	33.1%	32.4%	0.7%	16.5%	16.2%	0.3%	14.6%	14.4%	0.1%
Longview - Global Equity	29.0%	32.2%	-3.2%	19.4%	15.7%	3.8%	18.9%	13.2%	5.7%
State Street - Fundamental Indexation	36.1%	37.1%	-1.0%	14.8%	15.0%	-0.3%	13.0%	13.3%	-0.3%
L&G - UK Equities	22.4%	21.9%	0.5%	7.9%	7.7%	0.2%	9.8%	9.7%	0.2%
Newton - Absolute Return	2.8%	0.7%	2.2%	3.7%	0.6%	3.1%	4.5%	0.6%	3.9%
Ruffer - Absolute Return	11.3%	0.7%	10.6%	5.5%	0.6%	4.9%	5.6%	0.6%	5.0%
L&G - 5yr ILG	22.0%	22.0%	0.0%	14.8%	13.2%	1.6%	N/A	N/A	N/A
M&G - Bonds	14.6%	12.5%	2.1%	10.2%	9.5%	0.7%	9.3%	8.5%	0.8%
M&G - Absolute Return Bonds	7.3%	0.7%	6.6%	2.8%	0.6%	2.2%	4.1%	0.6%	3.5%
Schroder - Property	2.7%	3.7%	-1.1%	10.4%	11.1%	-0.7%	9.2%	9.9%	-0.7%
M&G - Infrastructure Fund	22.7%	4.4%	18.4%	28.1%	4.4%	23.6%	19.0%	4.5%	14.5%
UBS – Infrastructure	16.5%	0.7%	15.8%	5.7%	0.6%	5.1%	5.3%	0.6%	4.7%
Adams Street - Private Equity	23.2%	32.2%	-9.0%	14.5%	10.5%	4.1%	13.8%	11.9%	1.9%
HarbourVest - Private Equity	18.3%	32.2%	-13.9%	18.4%	16.1%	2.3%	13.5%	14.3%	-0.9%
M&G - UK Financing Fund	4.6%	0.7%	3.9%	4.6%	0.6%	4.0%	4.7%	0.6%	4.1%
Cash account	-2.6%	0.3%	-2.9%	0.4%	0.4%	0.0%	0.3%	0.4%	-0.1%

*Relative performance is calculated on a geometric basis as opposed to the simpler arithmetic method the geometric method makes it possible to directly compare long term relative performance with shorter term relative performance.

[1] The table shows since inception returns in place of one year, three year and five year performance for some of the managers, if the mandate has been in place for a shorter period.

The Funding Strategy Statement was reviewed during the year to reflect funding principles agreed for the 2016 actuarial valuation, with the new version signed off in February 2017. The new funding principles will apply to employer contributions payable from 1 April 2017.

Contribution rates payable by participating employers over the year to 31 March 2017 were set at the 2013 valuation in line with the principles summarised in the Funding Strategy Statement dated March 2014. Similarly, the approach used to set asset allocations for new bodies, to calculate the bond requirements for admitted bodies and to determine any cessation debts payable by exiting employers has been in line with that Funding Strategy Statement.

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

The next review of the Funding Strategy Statement will take place over the 2019/20 year.

An analysis of fund assets as at the reporting date

	UK	Non-UK	Global	Total
	£m	£m	£m	£m
Equities	444	397	1,174	2,015
Bonds	548	6	12	566
Property (direct holdings)	-	-	-	-
Alternatives	322	-	246	568
Cash and cash equivalents	112	22	20	154
Other	-	8	24	32
Total	1,426	433	1,476	3,335

An analysis of investment income accrued during the reporting period

	UK	Non-UK	Global	Total
	£000	£000	£000	£000
Equities	1,639	4,938	-	6,577
Bonds	2,314	245	-	2,559
Property (direct holdings)	-	-	-	-
Alternatives	10,287	-	23,246	33,533
Cash and cash equivalents	350	32	-	382
Other	-	9	-	9
Total	14,590	5,224	23,246	43,060

In the above tables:

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

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

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

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

4. Administrative management performance

Key administration performance indicators

Performance Indicator	Target %	Achieved by Fund %
Calculation of spouses benefits within specification	100%	90%
Deferred benefit notifications within specified timescales	100%	97%
Transfers in request values within specified timescales	100%	90%
Transfers in request payment within specified timescales	100%	94%
Transfers out provide quote within specified timescale	100%	92%
Transfers out make payment within specified timescale	100%	93%
Refunds - within specified timescales	100%	99%
Payslips despatched as per specification	100%	100%
Payroll accuracy - as specified	100%	100%
Payment of lump sums within specification	100%	94%
Estimates provided within specified timescales	100%	86%

	2015/16	2016/17
Number Of Complaints	6	32

Financial indicators of administrative efficiency

Unit Costs Per Member	East Sussex Pension Fund		Benchmark Unit Costs
	2015/16	2016/17	
Excluding investment management expenses	26.36	24.98	33.18
Including investment management expenses	196.48	190.79	179.50

Key staffing indicators

At 31 March 2017 staffing numbers within Orbis – Business Operations were 17.4 full time equivalent members of staff.

This provides the fund with a staff to fund member ratio of 1:4,105.

With an average cases per member of staff of 1:443

Membership

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

Note 28 to the accounts provide a list of all organisations currently contributing to the Fund. It includes their contribution rates, expressed as a percentage of employees' pensionable pay, and additional annual payments for those participating bodies which would otherwise have a shortfall in contributions by the end of the recovery period.

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

	Active	Ceased	Total
Scheduled body	88	18	106
Admitted body	39	18	57
Total	127	36	163

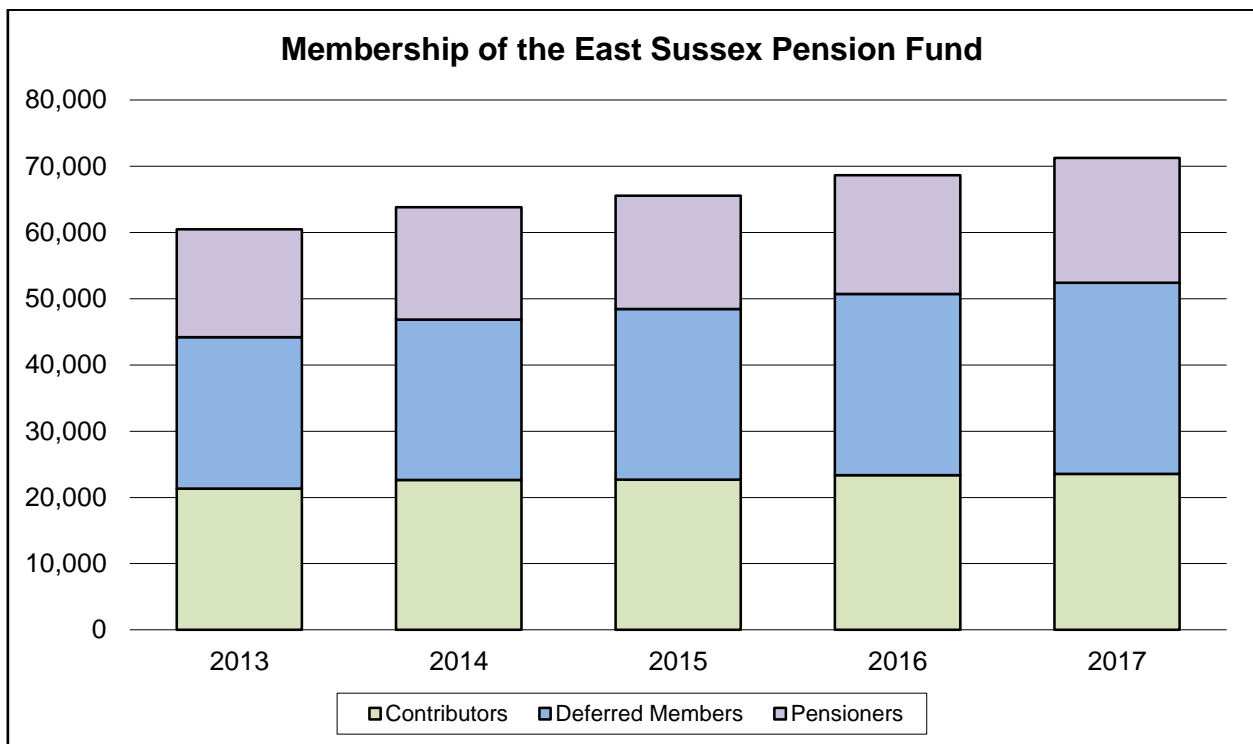
During 2016/17 the number of contributing members within the Pension Fund increased by 0.9% from 23,367 to 23,567. In summary, the number of members contributing to the Scheme is:

	2015/16	2016/17
East Sussex County Council	8,789	8,252
Scheduled Bodies	14,022	14,937
Admitted Bodies	556	378
Total	23,367	23,567

The number of pensioners in receipt of payments from the Fund increased from 17,942 to 18,812 (or 4.8%).

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

	March 2013	March 2014	March 2015	March 2016	March 2017
Active Members (contributors)	21,347	22,649	22,688	23,367	23,567
Pensioners (inc dependants)	16,276	16,993	17,117	17,942	18,812
Deferred Members	22,822	24,173	25,757	27,344	28,853



5. Scheme administration report

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

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

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

The Pensions Administration Team at Orbis comprises of 17.4 full time equivalent staff who provide a wide range of services including:

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

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

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

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

Internal Dispute Resolution Procedure

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

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

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

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

	2016/17
First Stage	4
Upheld	1
Declined	3
Ongoing	-
Second Stage	1
Upheld	-
Declined	-
Ongoing	1

6. Actuarial report on funds

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

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

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

The latest actuarial valuation of the fund was carried out as at 31 March 2016 and set the employer contribution rates from 1 April 2017 to 31 March 2020. The full valuation report can be downloaded from the Fund's website and is discussed in some detail in the Funding Strategy Statement. The actuary has also provided a report on the Fund which can be seen in Note 19 to the Pension Fund Accounts on page 47.

The common contribution rate for employers at the 2016 valuation was a primary rate of 17.2% and a secondary rate of £14.997m (17/18), £17.643m (18/19) and £20.396m (19/20). Average employee contributions rate is 6.1%.

Between the 2013 and 2016 valuation the funding position improved:

- **Assets:** Although the Fund is not 100% funded on the Actuary's assumptions, the Fund exceeded its asset performance objectives over the period by £190m.
- **Actual membership experience:** The membership experience of the Fund has differed to the assumptions made at the 2013 valuation which has a positive impact of £138m. This was mainly due to a lower than expected number of early retirements and lower than expected salary increases.

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

The next actuarial valuation will be carried out as at 31 March 2019.

7. Governance Arrangements

Pensions Committee

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

Pension Board

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

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

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

To achieve these objectives:-

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

Their responsibilities in exercising their delegated decision making power on behalf of East Sussex County Council as the Administering Authority of the East Sussex Pension Fund;

- The fundamental requirements relating to pension fund investments;
- The operation and administration of the pension fund;
- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the Fund.

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

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

And have knowledge and understanding of:

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

To achieve these objectives, the Fund aims 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 (current and new) will receive induction training to cover the role of the East Sussex Pension Fund, Pension Board and understand the duties and obligations for East Sussex County Council as the Administering Authority, including funding and investment matters.

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

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

The Knowledge and Skills Framework

In an attempt to determine what constitutes the right skill set for a public sector pension finance professional the Chartered Institute of Public Finance and Accounting (CIPFA) has developed a technical knowledge and skills

framework. This is intended as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs, and an assessment tool for individuals to measure their progress and plan their development.

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

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

Scheme Employers now have a greater need –

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

Application of the training strategy

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

Purpose of training

The purpose of training is to:

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

Four training sessions were held in 2016/17 and it is proposed that further joint sessions for the Board and Committee will be held in 2017/18.

Summary

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

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

Business Plan

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 71,000 individuals employed by 127 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.

This Business Plan (BP) provides an overview of the Fund's key objectives for 2016/17. The key high level objectives of the fund are summarised as:

- Optimise Fund returns consistent with a prudent level of risk
- Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
- Ensure the suitability of assets in relation to the needs of the Fund.

The governance of the Fund is the responsibility of the Chief Finance Officer for the East Sussex County Council, the East Sussex Pension Committee, and the Pension Board. The day to day management of the Fund is delegated to

Officers with specific responsibility delegated to the Head of Accounts and Pensions. He is supported in this role by the Pensions Strategy and Governance Manager, and the Finance Manager (Pension Fund).

The Pensions Committee aims to ensure the maximising of investment returns over the long term within an acceptable level of risk. Performance is monitored by asset performance being compared with their strategic benchmarks. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance with the Fund Managers.

Committee membership and attendance

During the year ended 31 March 2017 there were 5 meetings of the Pension Committee, 4 meetings of the Pension Board and one annual employers forum.

Member attendance at committee meetings during 2016/17

2016/17 Pension Committee Members		
		Nos. of meetings attended
East Sussex County Councillors:	Richard Stogdon (Chairman)	5/5
	David Tutt	5/5
	Frank Carstairs	5/5
	Michael Wincott	2/5*
	Bob Standley	4/5

*Councillor Godfrey Daniel Substituted for Councillor Michael Wincott at the February meeting of the Pension Committee this has been recorded as an attendance of Councillor Wincott in the above table.

Member attendance at Board meetings during 2016/17

2016/17 Pension Board Members		
		Nos. of meetings attended
Independent Chairman:	Richard Harbord	4/4
Employer Representative:		
Brighton & Hove City Council	Councillor Kevin Allen	4/4
Districts & Borough Councils	Councillor Brian Redman	4/4
Educational Bodies	Sue McHugh	3/4
Employee Representative:		
Active & Deferred	Angie Embury	4/4
Active & Deferred	David Zwirek*	-/1
Active & Deferred	Bernadette Carlyle*	2/2
Pensioners	Tony Watson	1/4

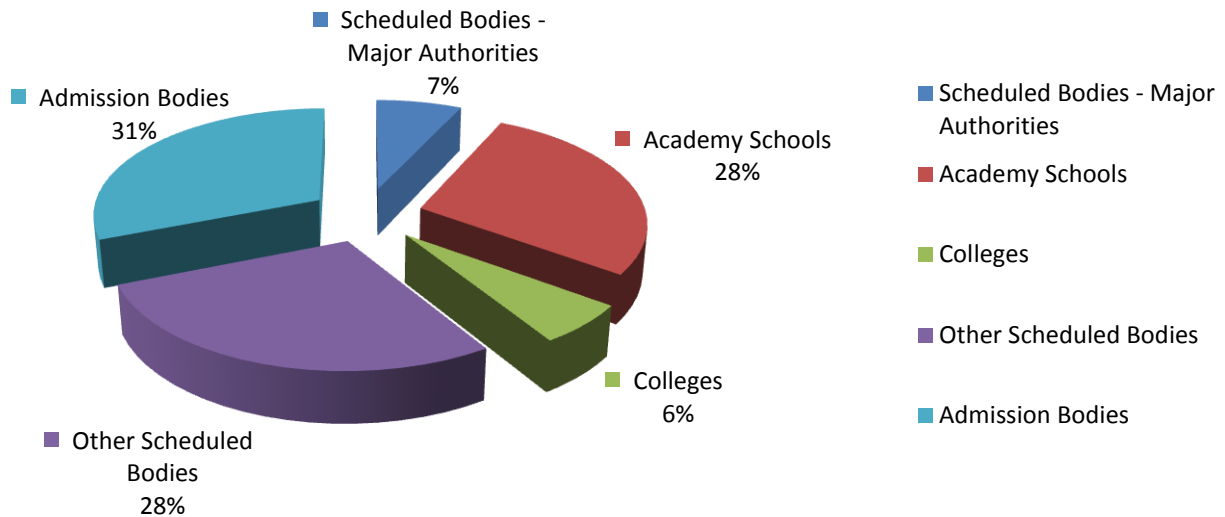
David Zwirek left the Pension Board in June 2016 and was replaced by Bernadette Carlyle in September 2016

Employer statistics by Employer type

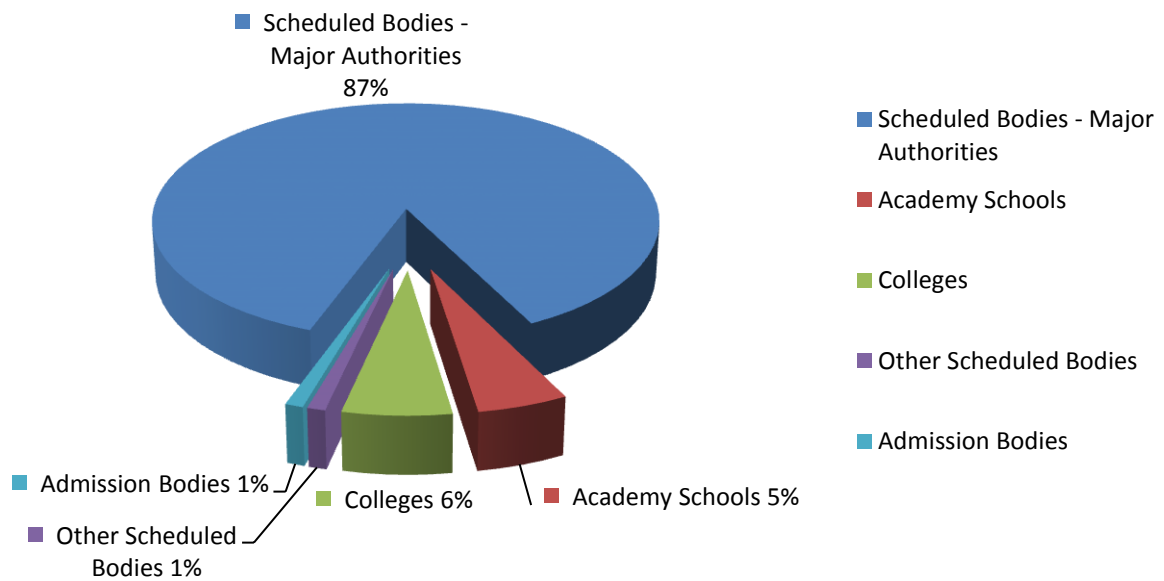
Employer Type	Number of Employers as a percentage of total	Percentage of total fund membership	Number of Employers in Group
Scheduled Bodies - Major Authorities	7%	87%	9
Academy Schools	28%	5%	35
Colleges	6%	6%	7
Other Scheduled Bodies	28%	1%	37
Admission Bodies	31%	1%	39

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

Number of Employers as a percentage of total



Percentage of total fund membership



Regulatory Framework

The Annual Report

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

- The management and financial performance during the year;
- The authority’s investment policy and a review of performance of the fund assets;
- Administration arrangements;
- A statement by the Actuary of the assets, liabilities and funding level at the most recent valuation;
- The current version of the Governance Compliance Statement;
- The Fund Account and Net Asset Statement and supporting notes and disclosures in accordance with proper practices;

- The current version of the Investment Strategy Statement (which has replaced the Statement of Investment Principles);
- The current version of the Communications Statement;
- The current version of the Funding Strategy Statement; and
- Other material considered appropriate.

The Scheme and benefits available

The Local Government Pension Scheme is a statutory scheme, established by an Act of Parliament , the Superannuation Act 1972 and, since April 2014 the Public Service Pensions Act 2013. The Local Government Pension Scheme Regulations 2013 came into force on 1 April 2014. Membership of the LGPS is open to all employees of local authorities except teachers, fire-fighters and police, who have their own separate schemes. . It is also open to employees of other employees specified within the legislation.

The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 meaning that members receive tax relief on contributions. The Scheme complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004.

The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

Pensions and entitlements are still fully protected in law. The Scheme is open to all eligible employees under age 75, whether they work full-time or part-time. All members of the scheme can choose to leave at any time.

8. Fund account, net assets statement and notes

a. East Sussex Pension Fund Account

2015/16			2016/17	
£000	£000	Notes	£000	£000
		Dealings with members, employers and others directly involved in the fund		
		Contributions		
(92,259)		From Employers	(93,918)	
(27,904)		From Members	(27,900)	
	(120,163)			(121,818)
	(3,656)	Transfers in from other pension funds		(8,554)
	(123,819)			(130,372)
	118,469	Benefits		120,776
	4,940	Payments to and on account of leavers		3,626
	123,409			124,402
	(410)	Net (additions)/withdrawals from dealings with members		(5,970)
	13,465	Management expenses		13,591
		Returns on investments		
	(42,096)	Investment income		(43,060)
	506	Taxes on income		391
	3,719	Profit and losses on disposal of investments and changes in the market value of investments		(536,030)
	(37,871)	Net return on investments		(578,699)
	(24,816)	Net increase in fund during the year		(571,078)
	(2,746,549)	Add opening net assets of the scheme		(2,771,365)
	(2,771,365)	Closing net assets of the scheme		(3,342,443)

b. Net Assets Statement for the year ended 31 March 2017

31 March 2016 £000		Notes	31 March 2017 £000
2,684,489	Investment assets	14	3,198,119
3,031	Other Investment balances	21	4,161
(1,519)	Investment liabilities	22	(1,680)
79,131	Cash deposits	14	134,212
2,765,132	Total net investments		3,334,812
10,936	Current assets	21	10,703
(4,703)	Current liabilities	22	(3,072)
2,771,365	Net assets of the fund available to fund benefits at the year end.		3,342,443

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2017 and of the movements for the year then ended.

Kevin Foster

Chief Operating Officer (Section 151 Officer)

Business Services Department

c. Notes to the East Sussex Pension Fund Accounts for the year ended 31 March 2017

1: Description of fund

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

The following description of the fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

b) Membership

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

Organisations participating in the East Sussex Pension Fund include:

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

There are 127 employer organisations within East Sussex Pension Fund including the County Council itself, as detailed below:

East Sussex Pension Fund	31 March 2016	31 March 2017
Number of employers with active members	109	127
Number of employees		
County Council	8,789	8,252
Other employees	14,578	15,315
Total	23,367	23,567
Number of pensioners		
County Council	7,987	8,402
Other employers	9,955	10,410
Total	17,942	18,812
Deferred pensioners		
County Council	13,062	13,685
Other employers	14,282	15,168
Total	27,344	28,853

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 6.7% to 44.5% of pensionable pay.

d) Benefits

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

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

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

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

2: Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector.

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

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

3: Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any

discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

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

Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2016/17, £1.6m of fees is based on such estimates (2015/16: £1.0m).

Net assets statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign currency transactions

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

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes (see Note 15).

j) Cash and cash equivalents

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

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

k) Financial liabilities

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

l) Actuarial present value of promised retirement benefits

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

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

m) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

n) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4: Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using International Private Equity and Venture Capital Valuation Guidelines 2012. The value of unquoted private equities at 31 March 2017 was £191.3 million (£167.4 million at 31 March 2016).

Pension fund liability

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

Use of Financial Instruments

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

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

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

The items in the Net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2016 Valuation the actuary advised that: <ul style="list-style-type: none"> • A 0.2% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £101 million (3%). • A 0.2% increase in benefit increases and CARE revaluation would increase the value of liabilities by approximately £91 million (3%). • A change in methodology from peaked to non-peaked longevity would increase the liability by approximately £94 million (3%).
Debtors	At 31 March 2017, the fund had a balance of sundry debtors of £1.2 million. The fund makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable.	Where the expectation is different from the original estimate, such difference will affect the carrying value of receivables.
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £191.3 million. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the fund managers.

6: Events after the balance sheet date

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

7: Contributions Receivable

	2015/16 £000	2016/17 £000
By category		
Employee's contributions	27,904	27,900
Employer's contributions		
Normal contributions	86,306	87,505
Deficit recovery contributions	5,085	5,030
Augmentation contributions	868	1,383
Total	120,163	121,818
By authority		
Scheduled bodies	71,816	74,461
Admitted bodies	5,230	4,098
Administrative Authority	43,117	43,259
Total	120,163	121,818

8: Transfers in from other pension funds

	2015/16 £000	2016/17 £000
Group transfers	-	-
Individual transfers	3,656	8,554
Total	3,656	8,554

9: Benefits payable

	2015/16 £000	2016/17 £000
By category		
Pensions	98,309	101,092
Commutation and lump sum retirement benefits	17,025	17,007
Lump sum death benefits	3,135	2,677
Total	118,469	120,776
By authority		
Scheduled bodies	67,780	68,685
Admitted bodies	3,384	3,134
Administrative Authority	47,305	48,957
Total	118,469	120,776

10: Payments to and on account of leavers

	2015/16 £000	2016/17 £000
Refunds to members leaving service	231	343
Group transfers	759	520
Individual transfers	3,950	2,763
Total	4,940	3,626

11: Management expenses

	2015/16	2016/17
	£000	£000
Administrative costs	1,065	1,037
Investment management expenses	11,659	11,811
Oversight and governance costs	741	743
Total	13,465	13,591

11a: Investment management expenses

	2015/16	2016/17
	£000	£000
Management fees	11,026	11,444
Custody fees	151	68
Transaction costs*	482	299
Total	11,659	11,811

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

During the year, the Pension Fund incurred management fees which were deducted at source for 2016/17 of £2.7m (£2.4m in 2015/16) on its private equity investments, fees of £0.6m (£0.7m in 2015/16) on its infrastructure investments and fees of £0.7m (£0.4m in 2015/16) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12: Investment income

	2015/16	2016/17
	£000	£000
Income from equities	10,528	6,656
Income from bonds	2,453	2,559
Private equity income	18	147
Pooled property investments	8,772	10,287
Pooled investments - unit trusts and other managed funds	19,885	22,963
Interest on cash deposits	418	382
Class Actions	22	66
Total	42,096	43,060

13: Other fund account disclosures

13a: Taxes on income

	2015/16	2016/17
	£000	£000
Withholding tax – equities	(303)	(179)
Withholding tax – pooled	(203)	(212)
Total	(506)	(391)

13b: External audit costs

	2015/16	2016/17
	£000	£000
Payable in respect of external audit	27	27
Payable in respect of other services	-	-
Total	27	27

14: Investments

	2015/16 £000	2016/17 £000
Investment assets		
Bonds	429,154	478,518
Equities	290,442	341,077
Pooled Investments	1,420,022	1,820,986
Pooled property investments	322,775	321,767
Private equity/infrastructure	216,898	227,497
Commodities	3,613	4,930
Multi Asset	1,585	3,344
Derivative contracts:		
Forward Currency Contracts	1,656	712
	2,686,145	3,198,831
Cash deposits with Custodian	79,131	134,212
Other Investment balances (Note 21)	1,375	3,449
Total investment assets	2,766,651	3,336,492
Investment Liabilities (Note 22)	(1,510)	(1,669)
Derivative contracts:		
Forward Currency Contracts	(9)	(11)
Total Investment Liabilities	(1,519)	(1,680)
Net investment assets	2,765,132	3,334,812

14a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2016	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2017
	£000	£000	£000	£000	£000
Bonds	429,154	42,918	(60,764)	67,210	478,518
Equities	290,442	84,564	(107,578)	73,649	341,077
Pooled investments	1,420,022	26,862	(5,670)	379,772	1,820,986
Pooled property investments	322,775	18,831	(21,089)	1,250	321,767
Private equity/infrastructure	216,898	21,915	(35,954)	24,638	227,497
Commodities	3,613	3,878	(3,109)	549	4,930
Multi Asset	1,585	5,617	-	(3,858)	3,344
	2,684,489	204,585	(234,164)	543,209	3,198,119
Derivative contracts					
■ Forward currency contracts	1,647	47,914	(39,295)	(9,565)	701
	2,686,136	252,499	(273,459)	533,644	3,198,820
Other investment balances:					
■ Cash deposits	79,131			2,386	134,212
■ Other Investment Balances	1,375				3,449
■ Investment Liabilities	(1,510)				(1,669)
Net investment assets	2,765,132			536,030	3,334,812

	Market value 1 April 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2016
	£000	£000	£000	£000	£000
Bonds	426,154	20,366	(21,358)	3,992	429,154
Equities	692,429	317,630	(685,770)	(33,847)	290,442
Pooled investments	1,033,431	388,907	(2,495)	179	1,420,022
Pooled property investments	287,569	19,969	(8,819)	24,056	322,775
Private equity/infrastructure	215,199	27,246	(38,732)	13,185	216,898
Commodities	6,842	3,080	(5,788)	(521)	3,613
Multi Asset	5,798	2,449	(1,338)	(5,324)	1,585
	2,667,422	779,647	(764,300)	1,720	2,684,489
Derivative contracts					
■ Forward currency contracts	(1,306)	15,692	(6,728)	(6,011)	1,647
	2,666,116	795,339	(771,028)	(4,291)	2,686,136
Other investment balances:					
■ Cash deposits	81,220			572	79,131
■ Other Investment Balances	3,551				1,375
■ Investment Liabilities	(10,973)				(1,510)
Net investment assets	2,739,914			(3,719)	2,765,132

14b: Analysis of investments

	2015/16	2016/17
	£000	£000
Bonds		
UK		
Corporate quoted	191,721	200,893
Public sector quoted	198,883	271,704
Overseas		
Public sector quoted	38,550	5,921
	429,154	478,518
Equities		
UK		
Quoted	45,010	51,161
Unquoted	8,500	3,627
Overseas		
Quoted	236,932	286,289
	290,442	341,077
Pooled funds - additional analysis		
UK		
Unit trusts	549,263	647,124
Overseas		
Unit trusts	870,759	1,173,862
	1,420,022	1,820,986
Pooled property investments	322,775	321,767
Private equity/infrastructure	216,898	227,497
Commodities	3,613	4,930
Multi Asset	1,585	3,344
Derivatives	1,656	712
	546,527	558,250
Cash deposits	79,131	134,212
Other investment balances (Note 21)	1,375	3,449
	80,506	137,661
Total investment assets	2,766,651	3,336,492
Investment Liabilities (Note 22)	(1,510)	(1,669)
Derivatives	(9)	(11)
Total Investment Liabilities	(1,519)	(1,680)
Net investment assets	2,765,132	3,334,812

14c: Investments analysed by fund manager

	Market value 31 March 2016		Market value 31 March 2017	
	£000	%	£000	%
Prudential M&G	111,779	4.0%	128,577	3.9%
East Sussex Pension Fund Cash	54,563	2.0%	53,220	1.6%
UBS Infrastructure Fund	20,726	0.7%	22,850	0.7%
Prudential Infracapital	28,728	1.0%	13,952	0.4%
Legal & General	822,218	29.8%	1,050,300	31.4%
M&G UK Financing Fund	8,500	0.3%	5,234	0.2%
Schroders Property	325,867	11.8%	327,945	9.8%
Harbourvest Strategies	79,284	2.9%	89,752	2.7%
Adams St Partners	88,603	3.2%	101,559	3.0%
M&G Absolute Return Bonds	67,434	2.4%	72,335	2.2%
Ruffer LLP	240,264	8.7%	292,582	8.8%
Newton Investment Management	253,240	9.2%	285,931	8.6%
Longview Partners	180,739	6.5%	233,171	7.0%
State Street Global Advisers	483,187	17.5%	657,404	19.7%
	<u>2,765,132</u>		<u>3,334,812</u>	

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

Security	Market Value 31 March 2016 £000	% of total fund	Market value 31 March 2017 £000	% of total fund
State Street Fundamental Index	483,244	17.5%	657,404	19.7%
L&G UK Equity Index	260,786	9.4%	319,171	9.6%
L&G North America Equity Index	230,151	8.3%	310,596	9.3%
Newton Real Return (Pooled Fund)	253,601	9.2%	285,931	8.6%
L&G Over 5 year Index Gilt Linked	147,197	5.3%	179,595	5.4%

14d: Stock lending

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

15: Analysis of derivatives

Objectives and policies for holding derivatives

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

a) Futures

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

b) Forward foreign currency

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

c) Options

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

Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£000	£000
Up to 2 months	GBP	1,361	JPY	(187,692)	14	-
Up to 2 months	GBP	555	USD	(691)	3	-
Greater than 2 months	GBP	4,491	EUR	(5,174)	57	-
Greater than 2 months	GBP	36,624	JPY	(5,089,710)	67	(11)
Greater than 2 months	GBP	21,609	USD	(26,353)	571	-
					712	(11)
Net forward currency contracts at 31 March 2017						
Prior year comparative						
Open forward currency contracts at 31 March 2016					1,656	(9)
Net forward currency contracts at 31 March 2015						1,647

16: Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market-quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not Required	Not Required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not Required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not Required	Not Required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not Required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not Required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2017 £000	Value on increase £000	Value on decrease £000
Equities	18%	19,352	22,835	15,869
Pooled property investments	14%	321,767	366,814	276,720
Private Equity/Infrastructure	28%	227,497	291,196	163,798
Total		568,616	680,846	456,386

16a: Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

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

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

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

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

	Quoted market price	Using observable inputs	With Significant unobservable inputs	Total
Values at 31 March 2017	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss	2,448,904	184,760	568,616	3,202,280
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	(1,680)	-	(1,680)
Net investment assets	2,448,904	183,080	568,616	3,200,600

	Quoted market price	Using observable inputs	With Significant unobservable inputs	Total
Values at 31 March 2016	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss	1,837,623	281,259	568,638	2,687,520
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	99,759	(101,278)	-	(1,519)
Net investment assets	1,937,382	179,981	568,638	2,686,001

16b: Transfers between levels 1 and 2

During 2016/17 the fund has not transferred any financial assets between levels 1 and 2.

16c: Reconciliation of fair value measurements within level 3

Period 2016/17	Market value 1 April 2016	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2017
Bonds	5,534	-	-	-	(5,607)	(386)	459	-
Equities	30,318	-	-	-	(8,748)	(2,496)	278	19,352
Pooled property investments*	315,888	9,249	-	26,130	(31,032)	(8,662)	10,194	321,767
Private Equity/Infrastructure	216,898	-	-	21,915	(32,626)	316	20,994	227,497
Total	568,638	9,249	-	48,045	(78,013)	(11,228)	31,925	568,616

*transferred from level 2 to level 3 due to a reappraisal of valuation techniques

17: Financial instruments

17a: Classification of financial instruments

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

31 March 2016			31 March 2017		
Market value Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Market value Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Financial Assets					
429,154	-	-	478,518	-	-
290,442	-	-	341,077	-	-
1,420,022	-	-	1,820,986	-	-
322,775	-	-	321,767	-	-
216,898	-	-	227,497	-	-
3,613	-	-	4,930	-	-
1,585	-	-	3,344	-	-
1,656	-	-	712	-	-
-	79,131	-	-	134,212	-
-	-	-	-	399	-
1,375	-	-	3,449	-	-
-	10,936	-	-	10,304	-
2,687,520	90,067	-	3,202,280	144,915	-
Financial liabilities					
(9)	-	-	(11)	-	-
(1,510)	-	-	(1,669)	-	-
-	-	(4,703)	-	-	(3,072)
(1,519)	-	(4,703)	(1,680)	-	(3,072)
2,686,001	90,067	(4,703)	3,200,600	144,915	(3,072)

17b: Net gains and losses on financial instruments

	31 March 2016 £000	31 March 2017 £000
Financial assets		
Fair value through profit and loss	1,620	543,255
Loans and receivables	673	2,340
Financial liabilities		
Fair value through profit and loss	(6,012)	(9,565)
Total	(3,719)	536,030

18: Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	9%
Other Bonds	9%
UK equities	16%
Global equities	18%
Absolute Return	13%
Pooled property investments	14%
Private Equity	29%
Infrastructure funds	20%

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

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

Asset Type	Values at 31 March 2017 £000	Value on increase £000	Value on decrease £000
Index Linked	179,611	195,776	163,446
Other Bonds	200,893	218,973	182,813
UK equities	358,102	415,398	300,806
Global equities	1,396,045	1,647,334	1,144,758
Absolute Return	514,204	581,049	447,357
Pooled property investments	321,767	366,814	276,720
Private Equity	190,695	245,996	135,394
Infrastructure funds	36,802	44,162	29,442
Net derivative assets	701	701	701
Total assets available to pay benefits	3,198,820	3,716,203	2,681,437

Asset Type	Values at 31	Value on	Value on
	March 2016	increase	decrease
	£000	£000	£000
Index Linked	147,197	158,973	135,421
Other Bonds	179,213	195,342	163,084
UK equities	394,039	461,026	327,052
Global equities	953,271	1,143,925	762,617
Pooled property investments	325,731	374,591	276,871
Private Equity	167,888	216,575	119,201
Infrastructure funds	49,454	59,345	39,563
Absolute Return	491,108	554,952	427,264
Net derivative assets	1,647	1,647	1,647
Total assets available to pay benefits	2,709,548	3,166,376	2,252,720

Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	As at 31 March 2016	As at 31 March 2017
	£000	£000
Cash with Custodian	79,131	134,212
Cash balances	(369)	399
Fixed interest securities	191,721	200,893
Total	270,483	335,504

Interest rate risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment adviser has advised that this is consistent with an annual one standard deviation move in interest rates, where interest rates are determined by the prices of fixed interest UK government bonds.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2017	Potential movement on 1 % change in interest rates	Value on	Value on
			increase	decrease
	£000	£000	£000	£000
Cash and cash equivalents	134,212	-	134,212	134,212
Cash balances	399	-	399	399
Fixed interest securities	200,893	2,009	202,902	198,884
Total change in assets available	335,504	2,009	337,513	333,495

Asset type	Carrying amount as at 31 March 2016	Potential movement on 1 % change in interest rates	Value on	Value on
			increase	decrease
	£000	£000	£000	£000
Cash and cash equivalents	79,131	-	79,131	79,131
Cash balances	(369)	-	(369)	(369)
Fixed interest securities	191,721	1,917	193,638	189,804
Total change in assets available	270,483	1,917	272,400	268,566

Income Source	Amount receivable as at 31 March 2017 £000	Potential movement on 1 % change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits/cash and cash equivalents	382	1,346	1,728	(964)
Fixed interest securities	1,913	-	1,913	1,913
Total change in assets available	2,295	1,346	3,641	949

Income Source	Amount receivable as at 31 March 2016 £000	Potential movement on 1 % change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits/cash and cash equivalents	418	788	1,206	(370)
Fixed interest securities	1,641	-	1,641	1,641
Total change in assets available	2,059	788	2,847	1,271

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the fund and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the fund's currency exposure as at 31 March 2017 and as at the previous period end:

Currency exposure - asset type	Asset value as at 31 March 2016 £000	Asset value as at 31 March 2017 £000
Overseas index linked	38,550	5,921
Overseas quoted securities	236,931	286,289
Overseas unit trusts	870,760	1,173,862
Total overseas assets	1,146,241	1,466,072

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

This assumes no diversification with other assets, and in particular, interest rates remain constant.

A 10% strengthening/weakening of the UK pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Values at 31 March 2017 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas Index Linked	5,921	592	6,513	5,329
Overseas quoted securities	286,289	28,629	314,918	257,660
Overseas unit trusts	1,173,862	117,386	1,291,248	1,056,476
Total change in assets available	1,466,072	146,607	1,612,679	1,319,465

Currency exposure - asset type	Values at 31 March 2016 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas Index Linked	38,550	5,012	43,562	33,538
Overseas quoted securities	236,931	30,801	267,732	206,130
Overseas unit trusts	870,760	113,199	983,959	757,561
Total change in assets available	1,146,241	149,012	1,295,253	997,229

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimise credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits in recent years.

Summary	Asset value as at 31 March 2016 £000	Asset value as at 31 March 2017 £000
Money market funds		
NTGI Global Cash Fund	65,450	78,993
Short term bills and notes		
UK Treasury bills	11,588	50,033
Bank deposit accounts		
Non NT cash accounts	-	-
Bank current accounts		
NT custody cash accounts	2,093	5,186
Total overseas assets	79,131	134,212

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The fund has immediate access to its pension fund cash holdings and the fund also has access to an overdraft facility for short-term cash needs. This facility is only used to meet timing differences on pension payments. As these borrowings are of a limited short-term nature, the fund's exposure to liquidity risk is considered negligible.

All financial liabilities at 31 March 2017 are due within one year.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19: Funding arrangements

The latest actuarial valuation of the fund was carried out as at 31 March 2016. The purpose of the triennial valuation is to calculate the contribution rates required to be made by each employer participating in the fund which together with investment growth will be sufficient to meet the fund's future liabilities. The 2016 valuation shows the fund has a past service deficit, being 92% funded in respect of past liabilities. This compares with 81% funded at the 2013 valuation.

East Sussex Pension Fund (“the Fund”)

Actuarial Statement for 2016/17

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated February 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £2,771 million, were sufficient to meet 92% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £240 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	4.3%
Benefit increase assumption (CPI)	2.5%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	23.8 years	26.3 years

*Figures assume members aged 45 as at the 2016 valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from East Sussex County Council, the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

20: Actuarial present value of promised retirement benefits

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the East Sussex Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of Promised Retirement Benefits

Year ended	31 March 2016	31 March 2017
Active members (£m)	1,858	1,717
Deferred pensions (£m)	645	930
Pensioners (£m)	1,269	1,612
Total	3,772	4,258

The promised retirement benefits at 31 March 2017 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £535m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £65m.

Financial assumptions

Year ended	31 Mar 2016 % p.a.	31 Mar 2017 % p.a.
Pension Increase Rate	2.2%	2.4%
Salary Increase rate	4.2%	2.8%
Discount Rate	3.5%	2.6%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	23.8 years	26.3 years

*Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31 March 2016.

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% increase in pensions increase rate	8%	332
0.5% increase in salary increase rate	2%	87
0.5% decrease in discount rate	10%	426

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

21: Current assets

	31 March 2016 £000	31 March 2017 £000
Other Investment Balances		
Sales inc Currency	1,656	2,554
Investment Income Due	861	1,178
Recoverable Taxes	497	411
Managers Fee Rebate	17	18
Total	3,031	4,161

	31 March 2016 £000	31 March 2017 £000
Current Assets		
Contributions receivable from employers and employees	9,845	9,126
Sundry Debtors	1,091	1,178
Cash	-	399
Total	10,936	10,703

22: Current liabilities

	31 March 2016	31 March 2017
	£000	£000
Investment Liabilities		
Purchases including currency	(9)	(11)
Managers Fees	(1,510)	(1,669)
Total	(1,519)	(1,680)

	31 March 2016	31 March 2017
	£000	£000
Current Liabilities		
Pension Payments (inc Lump Sums)	(1,415)	(454)
Cash	(369)	-
Professional Fees	(84)	(65)
Administration Recharge	(1,038)	(1,314)
Sundry Creditors	(1,797)	(1,239)
Total	(4,703)	(3,072)

23: Additional voluntary contributions

	Market value	Market value
	31 March 2016	31 March 2017
	£000	£000
Prudential	14,893	15,772

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. In 2016/17 some members of the pension scheme paid voluntary contributions and transfers in of £2.053m (£1.666m 2015/16) to Prudential to buy extra pension benefits when they retire. £2.353m was disinvested from the AVC provider in 2016/17 (£2.430m 2015/16). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

24: Agency Services

The East Sussex Pension Fund pays discretionary awards to former employees on behalf of some employers in the Fund. The amounts paid are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below.

	2015/16	2016/17
	£000	£000
East Sussex County Council	5,292	4,979
Brighton & Hove City Council	2,495	2,306
Eastbourne Borough Council	368	349
Magistrates	250	239
Wealden District Council	174	188
Hastings Borough Council	180	180
Rother District Council	123	117
Lewes District Council	74	79
South East Water	82	70
Mid-Sussex District Council	66	55
Brighton University	24	26
East Sussex Fire Authority	20	17
LPFA	17	17
Capita Hartshead	15	15
Mears Group PLC	12	12
Brighton and Hove City College	9	10
London Borough of Camden	7	7
London Borough of Southwark	6	6
The Eastbourne Academy	5	6
West Midlands Pension Fund	5	5
Torfaen Borough Council	3	3
West Sussex County Council	3	3

	2015/16	2016/17
	£000	£000
Eastbourne Homes	2	2
Varndean College	2	2
London Borough of Ealing	2	2
Sussex Downs College	1	1
Newhaven Town Council	1	1
Wealden Leisure Ltd	47	-
London Borough of Lewisham	6	-
Valuation Tribunal Service	4	-
University of Sussex	4	-
Plumpton College	2	-
Total	9,301	8,697

25: Related party transactions

East Sussex County Council

The East Sussex Pension Fund is administered by East Sussex County Council. Consequently there is a strong relationship between the council and the pension fund.

Each member of the Pension Committee is required to declare their interests at each meeting.

The Treasurer of the Pension Fund and members of the County Council and the Pension Committee have no material transactions with the Pension Fund.

The Council incurred costs in administering the fund and charged £1.3m to the fund in 2016/17 (£1.0m in 2015/16). The Council's contribution to the fund was £43.3m in 2016/17 (£43.1m in 2015/16). All amounts due to the fund were paid in the year. At 31 March 2017 the Pension Fund bank account was in credit by £0.399m. The average invested throughout the year was £4.8m (£4.6 in 2015/16) and earned interest of £0.028m in 2016/17 (£0.033m in 2015/16).

25a: Key management personnel

The Chief financial officer of East Sussex County Council holds the key position in the financial management of the East Sussex Pension Fund.

	31 March 2016	31 March 2017
	£000	£000
Short-term benefits	17	10
Post-employment benefits	3	1
Other long-term benefits	-	-
Termination benefits	-	9
Total	20	20

26: Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2017 totalled £82.0m (31 March 2016: £87.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, typically over a period of between four and six years from the date of each original commitment.

At 31 March 2017 the unfunded commitment was £78.4m for private equity, and £3.6m for infrastructure. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2017.

Sussex Careers Limited – a Community Admission Body in the Fund until 12 November 2008, supplied careers advisory services on behalf of both East Sussex County Council and Brighton & Hove City Council. Sussex Careers is now in the process of being wound up, and its assets will be distributed to its creditors, including the Fund which is the major creditor. These are not sufficient to meet their deficit of approximately £3.6 million. The Fund is engaged in active dialogue with the liquidators for Sussex Careers Limited.

27: Contingent assets

Seventeen admitted body employers in the Fund hold insurance bonds to guard against the possibility of their being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. In addition to these bonds, pension's obligations in respect of 9 other admitted bodies are covered by:

- 8 guarantees by local authorities participating in the Fund;
- 2 Parent company guarantee;
- 2 deposits held by East Sussex County Council

At 31 March 2017 the Fund has invested £285.4 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £14.4 million in the M&G UK Companies Financing fund and £59.4 million in the infrastructure funds managed by UBS and M&G.

Following Rulings given by the European Court of Justice, along with a number of other local authority pension funds, the East Sussex Pension Fund is pursuing the recovery of tax paid on certain dividends. If successful this may be of material benefit to the Fund. The amount which may be recoverable is not currently quantifiable.

28: Impairment losses

During 2016/17 the fund has not recognised any impairment losses.

29: East Sussex Pension Fund – Active Participating Employers

Employer	Contribution Rate					
	2017/18		2018/19		2019/20	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	17.1	3860	17.1	4635	17.1	5448
East Sussex County Council	17.1	5523	17.1	6369	17.1	7254
East Sussex Fire and Rescue Service	17.0	181	17.0	213	17.0	247
Eastbourne Borough Council	16.9	547	16.9	599	16.9	654
Hastings Borough Council	17.3	489	17.3	540	17.3	594
Lewes District Council	18.0	442	18.0	495	18.0	551
Rother District Council	17.3	506	17.3	550	17.3	596
University of Brighton	16.8	704	16.8	722	16.8	741
Wealden District Council	17.2	536	17.2	594	17.2	655
Other Scheduled Bodies						
Arlington Parish Council	21.6	-	22.1	-	22.6	-
Battle Town Council	17.4	4	17.4	5	17.4	6
Berwick Parish Council	21.6	-	22.1	-	22.6	-
Chailey Parish Council	21.6	-	22.1	-	22.6	-
Chiddingly Parish Council	21.6	-	22.1	-	22.6	-
Conservators of Ashdown Forest	17.4	13	17.4	15	17.4	17
Crowborough Town Council	17.4	11	17.4	12	17.4	14
Ewhurst Parish Council	21.6	-	22.1	-	22.6	-
Fletching Parish Council	21.6	-	22.1	-	22.6	-
Forest Row Parish Council	17.4	3	17.4	3	17.4	4
Hadlow Down Parish Council	21.6	-	22.1	-	22.6	-
Hailsham Town Council	17.4	13	17.4	15	17.4	17
Hartfield Parish Council	21.6	-	22.1	-	22.6	-
Heathfield & Waldron Parish Council	17.4	4	17.4	5	17.4	5
Hurst Green Parish Council	21.6	-	22.1	-	22.6	-
Icklesham Parish Council	21.6	-	22.1	-	22.6	-
Lewes Town Council	17.4	14	17.4	16	17.4	19
Maresfield Parish Council	17.4	1	17.4	1	17.4	1
Newhaven Town Council	17.4	5	17.4	6	17.4	6
Newick Parish Council	21.6	-	22.1	-	22.6	-
Peacehaven Town Council	17.4	8	17.4	9	17.4	10
Pett Parish Council	21.6	-	22.1	-	22.6	-
Plumpton Parish Council	21.6	-	22.1	-	22.6	-
Polegate Town Council	21.6	-	22.1	-	22.6	-
Ringmer Parish Council	21.6	-	22.1	-	22.6	-

Employer	Contribution Rate					
	2017/18		2018/19		2019/20	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
Rye Town Council	17.4	2	17.4	2	17.4	2
Salehurst & Robertsbridge Parish Council	21.6	-	22.1	-	22.6	-
Seaford Town Council	17.4	6	17.4	7	17.4	8
Sussex Inshore Fisheries & Conservation Authority	21.6	-	22.1	-	22.6	-
Telscombe Town Council	17.4	4	17.4	4	17.4	5
Uckfield Town Council	17.4	13	17.4	15	17.4	17
Wartling Parish Council	21.6	-	22.1	-	22.6	-
Westham Parish Council	17.4	1	17.4	2	17.4	2
Willingdon and Jevington Parish Council	17.4	2	17.4	2	17.4	2
Wivelsfield Parish Council	17.4	1	17.4	1	17.4	2
Academy Schools						
ARK Schools Hastings	20.1	-	20.6	-	21.1	-
Aurora Academies Trust	20.9	-	20.9	-	20.9	-
Beacon Academy	22.5	-	23.0	-	23.5	-
Bexhill Academy	23.4	-	23.4	-	23.4	-
BHCC - Bilingual Primary School	15.1	-	15.6	-	16.1	-
Breakwater Academy	17.5	-	17.5	-	17.5	-
Burfield Academy	21.5	-	21.0	-	20.5	-
Cavendish Academy	21.0	-	21.0	-	21.0	-
City Academy Whitehawk	22.1	-	22.6	-	22.8	-
Diocese of Chichester Academy Trust	25.9	-	25.4	-	24.9	-
Eastbourne Academy	20.9	-	21.4	-	21.7	-
Falmer (Brighton Aldridge Community Academy)	19.5	-	20.0	-	20.5	-
Gildredge House Free School	20.1	-	20.1	-	20.1	-
Glyne Academy	22.9	-	22.4	-	21.9	-
Hailsham Academy	19.7	-	20.2	-	20.5	-
Hastings Academies Trust	20.1	-	20.5	-	20.5	-
Hawkes Farm Academy	16.9	-	16.9	-	16.9	-
High Cliff Academy	21.5	-	21.0	-	20.5	-
Jarvis Brook Academy	15.0	-	15.0	-	15.0	-
Kings Church of England Free School	15.7	-	16.2	-	16.7	-
Ore Village Primary Academy	18.7	-	19.0	-	19.0	-
Pebsham Academy	19.0	-	19.5	-	20.0	-
Phoenix Academy	20.6	-	20.9	-	20.9	-
Portslade Aldridge Community Academy	20.4	-	20.4	-	20.4	-
Ratton Academy	21.6	-	21.6	-	21.6	-
Ringmer Academy	20.3	-	20.8	-	21.3	-
Rye Multi Academy Trust	22.5	-	22.0	-	21.5	-
SABDEN Multi Academy Trust	25.1	-	24.6	-	24.1	-
Seaford Academy	21.9	-	21.6	-	21.6	-
Seahaven Academy	21.0	-	21.5	-	22.0	-
Sir Henry Fermor Academy	15.3	-	15.3	-	15.3	-
Torfield & Saxon Mount Academy Trust	22.1	-	22.6	-	23.1	-
UTC@Harbourside	21.5	-	21.0	-	20.5	-
White House Academy	17.0	-	17.5	-	18.0	-
William Parker Academy	20.1	-	20.6	-	21.1	-
Colleges						
Bexhill College	16.6	23	16.6	30	16.6	38
Brighton, Hove & Sussex Sixth Form College	17.2	21	17.2	29	17.2	38
City College, Brighton Pool	-	-	-	-	-	-
Plumpton College	16.7	44	16.7	58	16.7	73
Sussex Coast College	16.8	63	16.8	79	16.8	96
Sussex Downs College	17.4	3	17.4	38	17.4	75
Varndean Sixth Form College	17.5	12	17.5	19	17.5	25
Admission Bodies (Open)						

Employer	Contribution Rate					
	2017/18		2018/19		2019/20	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
East Sussex Energy, Infrastructure & Development Ltd	21.9	-	23.4	-	24.5	2
Eastbourne Homes Ltd	20.2	-	21.8	-	23.5	-
Hastings Business Operations Limited (HBOL)	23.6	-	27.1	-	27.6	4
Admission Bodies (Closed)						
Brighton and Hove CAB	28.7	-	28.7	-	28.7	-
Brighton Dome & Festival Limited	44.5	16	44.5	36	44.5	57
Care Quality Commission	41.6	59	41.6	143	41.6	231
De La Warr Pavilion Charitable Trust	43.7	61	43.7	132	43.7	207
Optivo	39.2	554	39.2	879	39.2	1221
Sussex Archaeological Society	38.6	57	38.6	82	38.6	108
Sussex County Sports Partnership	21.0	-	21.0	-	21.0	-
Sussex Housing & Care	35.9	133	35.9	101	35.9	67
Other Admission Bodies						
Accent Catering	-	-	-	-	-	-
Amey	-	-	-	-	-	-
BHCC - Wealden Leisure Ltd	21.2	-	21.2	-	21.2	-
Care Outlook Ltd	35.0	-	35.0	-	35.0	-
Churchill Services	18.0	-	18.0	-	18.0	-
Civica ICT - William Parker	14.3	-	14.3	-	14.3	-
Eastbourne Homes - SEILL	21.9	-	21.9	-	21.9	-
Eastbourne Leisure Trust	25.8	17	25.8	18	25.8	18
EBC - Towner	11.5	-	11.5	-	11.5	-
Eden Foodservices	-	-	-	-	-	-
ESCC - Care at Home	-	-	-	-	-	-
ESCC - John O'Connor	-	-	-	-	-	-
ESCC - NSL Ltd	-	-	-	-	-	-
Halcrow Group Ltd	23.6	-	23.6	-	23.6	-
Hardings Catering Ltd	-	-	-	-	-	-
Mears Ltd	26.3	14	26.3	14	26.3	15
MyTime	13.8	-	13.8	-	13.8	-
Sopra Steria Ltd	31.9	-	31.9	-	31.9	-
Sussex Community Development Association Ltd (SCDA)	26.4	-	26.4	-	26.4	-
Telent Technology Services Limited	24.9	-	24.9	-	24.9	-
Wave Leisure - Newhaven Fort	18.0	-	18.0	-	18.0	-
Wave Leisure Trust Ltd	9.0	-	9.0	-	9.0	-
WDC - ISS Ltd	-	-	-	-	-	-
WDC - Kier	-	-	-	-	-	-
WDC - Wealden Leisure Ltd	27.1	86	27.1	89	27.1	91
Wealden Leisure Ltd - Portslade Sports Centre	12.3	-	12.3	-	12.3	-
White Rock	6.7	-	6.7	-	6.7	-

30: Investment Performance

The County Council uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC) which measures the performance of the Fund compared with 44 other local authority pension funds. Pension Fund investment is a long term business so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	20.3	12.0	11.0	7.0
Benchmark	18.9	10.1	9.4	6.0
Relative	1.4	2.0	1.6	0.9

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	20.3	12.0	11.0	7.0
Local Authority Average	21.4	11.2	10.8	7.0
Relative	(0.9)	0.7	0.2	0.0

The Fund underperformed the (weighted) average local authority fund over the year by 0.9% (1.4% outperformance 2015/16), ranking the East Sussex Fund in the 49th percentile (17th 2015/16) in the local authority universe. Over three years the fund outperformed by 0.7% (0.9% outperformance 2015/16) and was placed in the 28th percentile (18th 2015/16). Over five years the fund outperformed by 0.2% (0.2% outperformance 2015/16) and was placed in the 37th percentile (43rd 2015/16). Over ten years the fund years the fund performed in line (0.1% outperformance 2015/16) and was placed in the 43rd percentile (36th 2015/16).

Relative performance is calculated on a geometric basis as follows:

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

As opposed to the simpler arithmetic method the geometric method makes it possible to directly compare long term relative performance with shorter term relative performance.

9. Funding strategy statement

The Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS is prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013, CIPFA guidance and in collaboration with the Fund's actuary, Hymans Robertson LLP, after consultation with the Fund's employers and investment adviser. The FSS sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years);
- actuarial factors for valuing individual transfers, early retirement costs and costs of buying added service; and
- the Fund's Investment Strategy Statement

10. Investment strategy statement

The Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 require administering authorities of pension funds to prepare, maintain and publish a written statement setting out the investment strategy for their Fund they must consult with persons they deem appropriate when drawing up their statement. Any material change in investment strategy must be included in a revised Investment Strategy Statement (ISS). The statement also covers the extent to which social, environmental and ethical considerations (see below) are taken into account in the selection, retention and realisation of investments and a summary of the policy (if any) in relation to the exercise of the rights (including voting rights) attaching to investments. The East Sussex Pension Fund statement was first published in February 2017 when it replaced the Fund's Statement of Investment Principles and is reviewed annually (updated copies are available on the website).

Social, environmental and ethical considerations

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

- Corporate governance
- Employment standards
- Human rights

This Statement can be seen on the East Sussex County Council Website.

11. Communications policy statement

The Local Government Pension Scheme Regulations 2013 (Regulation 61) requires each pension fund administering authority to prepare and publish a policy statement setting out its approach to communicating with scheme members, representatives of members, prospective members and scheme employers.

The East Sussex Pension Fund policy statement sets out our existing communication activities.

This Policy can be seen on the East Sussex County Council Website.

12. External auditors report

Independent auditor's report to the members of East Sussex County Council on the pension fund financial statements published with the Pension Fund Annual Report

To Follow

auditor's report

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

July 2017

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Report to: **Pension Board**

Date: **26 June 2017**

By: **Chief Operating Officer**

Title of report: **External Assurance Reports from Third Parties.**

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

RECOMMENDATION -

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

1. Background

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

2. External Assurance Reports from Third Parties.

2.1 The Internal audit has provided **Full Assurance** over the external assurance reports from third parties for the pension fund, following the review of Pension Fund External Control Assurance as part of the agreed annual audit plan for 2016/17.

3. Conclusion and recommendations

3.1 Based on the testing carried out during the audit, they are able to give an opinion of full assurance that there is a sound system of control designed to achieve the system objectives, compliance with the controls is considered to be good, and all major risks have been identified and are managed effectively.

KEVIN FOSTER
Chief Operating Officer

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

BACKGROUND DOCUMENTS:

None

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Internal Audit Report

Pension Fund External Control Assurance

2016/2017

Final Report

Danielle Robinson

Senior Auditor

Prepared for East Sussex County Council

March 2017

Report Distribution List

- Phil Hall, Interim Chief Finance Officer
- Ola Owolabi, Head of Accounts & Pensions, BSD
- John Shepherd, Finance Manager – Pension Fund, BSD
- Russell Wood, Principal Pensions Officer, BSD

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Head of Internal Audit.

East Sussex County Council - Internal Audit Key Contact Information

Head of Internal Audit: *Russell Banks*, ☎ *01273 481447*

Audit Manager: *Mark Winton*, ☎ *01273 481953*

Anti-Fraud Hotline: ☎ *01273 481995*, ✉ confidentialreporting@eastsussex.gov.uk

1. Introduction

1.1 The main purpose of the audit has been to ensure that adequate control assurance is provided to fund managers on statutory reporting by the investment managers, custodians and property managers. This report aims to provide assurance on the overall effectiveness of controls within the system and identifies areas of concern or weakness where improvements can be made. The principal sources of assurance are as follows:

- AAF 01/06 reports produced in accordance with the requirements of the Institute of Chartered Accounts in England and Wales, for entities registered in the United Kingdom;
- SSAE 16 (American Institute of Certified Public Accountants for Attestation Engagements no.16) and resulting Service Organisation Control Report; and
- ISAE 3402 reports (International Federation of Accountants).

1.2 There are currently 11 different fund managers who invest on behalf of the East Sussex Pension Fund. The pension fund was last valued by the Council's actuaries at 31st March 2013 with assets of £2,344M and liabilities of £2,885M representing a funding level of 82.1%.

1.3 The March 2016 audit of the Pension Fund External Control Assurance concluded full assurance on the effectiveness of the control environment.

1.4 This audit review is part of the agreed Internal Audit Plan for 2016/2017.

1.5 No weaknesses have been identified within the report.

2. Scope

2.1 The scope of the audit was to ensure:

- That adequate internal controls are in place and assurance is provided on fund manager systems through statutory reporting.
- Where such documents are not available or do not comply with the relevant standards, reliance may be placed on local management assurance processes.

3. Audit opinion

3.1 Full Assurance is provided in respect of Pension Fund External Control Assurance. There is a sound system of control designed to achieve the system objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.

Appendix A provides a summary of the opinions and what they mean.

4. Basis of Opinion

4.1 We have assessed the process for monitoring Pension Fund Control Assurance as providing Full Assurance because:

- Controls are in place to ensure External Assurance reports are provided by fund managers in a timely manner. Action is taken where reports are overdue.
- All External Assurance reports had been produced by an appropriate organisation, who we consider to have the necessary qualifications to conduct this type of work.
- Evidence confirms the External Assurance reports have been reviewed by Russell Wood, Principle Pensions Officer and any exceptions noted within the reports are considered in terms of the potential impact they may have on the pension fund.

In providing our opinion, it should be noted that:

- We do not consider any of the exceptions within the External Assurance reports to expose the East Sussex Pension Fund investments to any financial risk.
- The latest external assurance report for Newton's is currently overdue. The last available report covers the period 01/10/2014 to 30/09/2015. The Pension's team have been chasing the report and have been informed that they should receive it by the end of February 2017. This audit has based assurance on the previous year's report from Newton.

5. Action Summary

Risk Priority	Definition	No	Ref
High	Major control weakness requiring immediate implementation of recommendation	0	
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	0	
Low	Recommendation represents good practice but its implementation is not fundamental to internal control	0	
Total number of agreed actions		0	

6. Acknowledgements

6.1 We would like to thank all staff that provided assistance during the course of this audit.

Audit Opinions and Definitions

Opinion	Description
Full Assurance	There is a sound system of control designed to achieve the system objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Management Responsibilities

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

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

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

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

Report to:	Pension Board
Date:	26 June 2017
By:	Chief Operating Officer
Title of report:	Pensions Administration Strategy Statement
Purpose of report:	This report provides Members with the Local Government Pension Scheme (LGPS) Regulations requirement to prepare and publish a Pensions Administration Strategy.

RECOMMENDATIONS

The Board is recommended to consider and note the draft Pensions Administration Strategy Statement, before it goes out to consultation to stakeholders. The final strategy will be presented to the Pension Committee for approval after consultation.

1. Background

1.1 Regarding the governance of the pension fund, it is best practice to have an Administration Strategy in place. The draft Pensions Administration Strategy Statement is attached as Appendix 1.

1.2 Regulation 59 of the Local Government Pension Scheme Regulations 2013 (the Regulations) covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a Pensions Administration Strategy. This regulation outlines the primary matters which should be covered to include:

- administration standards;
- performance measures;
- communication with scheme employers.

2. The Pensions Administration Strategy Statement

2.1 The pension administration strategy of the Fund is in relation to the Local Government Pension Scheme (LGPS). The pension administration strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. Changes are subject to consultation with the employers, variations must be agreed by the Fund.

2.2 The Fund shall monitor the requirements of this agreement and report its findings to the East Sussex Pension Committee and Pension Board. The Fund provides a high quality pension service to members and employers, to ensure members receive their correct pension benefits. This is best achieved where the Fund and the employers are clear about their roles and responsibilities and work in partnership.

2.3 The document (attached as appendix 1) sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund;
- The level of service the Fund and employers will provide to each other;
- The performance measures used to evaluate the level of service.

3. Conclusion and reasons for recommendations

3.1 The administration strategy statement is an agreement between the Fund and employers. Regulation 59 of the Local Government Pension Scheme Regulations 2013 (the Regulations)

allows a fund to prepare a Pension Administration Strategy. The Pensions Administration Strategy is intended to help employers and funds work together more effectively in fulfilling their joint responsibilities in administering the Local Government Pension Scheme.

KEVIN FOSTER
Chief Operating Officer

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Background Documents
None

East Sussex Pension Fund Administration Strategy Statement 2017

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Introduction

East Sussex County Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the East Sussex Pension Fund (the “Fund”). The LGPS is governed by statutory regulations.

This is the pension administration strategy of the Fund in relation to the Local Government Pension Scheme. The pension administration strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. Changes are subject to consultation with the employers, variations must be agreed by the Fund

The Fund shall monitor the requirements of this agreement and report its findings to the East Sussex Pension Fund Pension Committee and Pension Board.

The Fund comprises over 120 scheme employers and approximately 70,000 scheme members in relation to the LGPS. At the last assessment the value of the Fund was over £2.76bn.

The Fund provides a high quality pension service to members and employers, to ensure members receive their correct pension benefits. This is best achieved where the Fund and the employers are clear about their roles and responsibilities and work in partnership.

This document sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund.
- The level of service the Fund and employers will provide to each other
- The performance measures used to evaluate the level of service

This administration strategy statement is an agreement between the Fund and employers.

Regulatory context

The LGPS is a statutory scheme, established by an Act of Parliament and governed by regulations. The most recent of such regulations, appertaining to administration are the LGPS (Administration) Regulations 2013. Regulation 59(1) of the (Administration) Regulations 2013 covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a Pensions Administration Strategy. This regulation outlines the primary matters which should be covered to include:

- administration standards
- performance measures
- communication with scheme employers

In addition, Regulation 67 and 69 of the LGPS Regulations 2013 provide for employer and employee contributions to be paid over to the Fund. A breach of Regulation 69(1) can result in consequences for an employer, as stated in section 49(8) of the Pensions Act 1995.

Regulation 70 of the (Administration) Regulations 2014 covers the ability of an administering authority to recover additional costs arising from Scheme employers' level of performance. Furthermore, Regulation 71 of the same regulations allows the administering authority to apply interest on late payments by scheme employers. Some of these regulations may be referenced in the relevant sections of this administration strategy statement.

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and scheme employers will, as a minimum, comply with overriding legislation, including:

- Pensions Act 1995 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Age Discrimination Act 2006;
- Data Protection Act 1998;
- Disability Discrimination Act 1995;
- Finance Act 2004; and
- Health and Safety legislation.

Where agreed, the administering authority and scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.

Roles and responsibilities

The quality of service to members depends on the supply of accurate and timely information.

Employer duties and responsibilities are set out in the table below:

Employers – Pensions: Commitments / SLA	
Item	Expectations
New starters	Within 2 months of the employee joining, or such shorter period as required by any auto-enrolment obligations (generally this tends to be before or within six weeks of the employee's automatic enrolment date).
Change in member's details	Within 2 months of the event.
Early Leavers without entitlement to immediate benefits	<ul style="list-style-type: none"> • within 3 months of joining, refund through your payroll & notify the Fund • outside of 3 months of joining notify the Fund using the appropriate form for refund of contributions or Deferred Benefits
Opt Outs	Refund contribution through your payroll and notify the Fund.
Leavers with entitlement to immediate payment of benefits	<ul style="list-style-type: none"> • Notify the Fund using the relevant form as soon as possible once leaving date is confirmed. • Provide all appropriate information required by the Fund to enable payment of benefits within time scales provided above. <p>(All forms are available from the East Sussex County Council website Information for Employers pages) https://www.eastsussex.gov.uk/yourcouncil/forms/</p>
Disclosure Regulations	Great care must also be taken to avoid breaking the Disclosure Regulations. Consequently when a retirement takes place before NPA the latest form is to be received in the Office is no later than one month after the date of retirement. Where a retirement takes place on or after NPA, the Office must receive the form no more than ten working days after the date of retirement.
Death in service	Notify the Fund within 3 working days of all the information being gathered, for example birth and marriage certificates.

The Fund's duties and responsibilities are set out in the table below:

Business Operations – Pensions: Commitments / SLA	
Items	Expectations/SLA
Letters/emails from members (or member's representatives) answered or acknowledged	10 working days
New starters processed	10 working days from receipt of notification.
Changes in details processed	9 working days from receipt of request.
Calls to the Pensions Administration team answered in office hours	Calls answered within 3 rings.
Retirement	Our practice is that we pay the Lump sum normally within 10 days after date of retirement. We wait until post retirement to finalise the final pay figure, to ensure any changes are picked up.
Annual benefit statements for deferred members issued	31 August of each year (Statutory deadline)
Annual benefit statements for active members issued	31 August of each year (Statutory deadline)
Year End Return queries for employers issued	30 June
Pension savings statements issued if applicable	6 October (Statutory deadline)
Changes to bank details made	9 working days from receipt of request.
Estimates for divorce processed	<ul style="list-style-type: none"> • Divorce proceeding started 6 weeks from receipt of PS02 form • Divorce proceedings not started 3 months from receipt of PS02 form
Non-LGPS transfers into ESPF processed	10 Working days
Non-LGPS transfer out quotations processed	25 Working days

Non-LGPS transfer out payments processed	25 Working days
Internal and concurrent transfers processed	22 Days to complete
Refund payments made	10 Working days
Deferred benefits calculated	25 Working days
Pension quotations calculated	7 Working days
APC/SCAPC illustrations calculated	Members are referred to LGA's online calculator.
AVC amendments noted on members record	9 Working days
New retirement benefit options sent	10 Working days
New retirements processed for payment	7 Working Days
Deferred benefits processed for payment	7 Working days
Notification of a death processed	5 working days
Dependants' pensions processed for payment	5 Working days
Death grants processed for payment	5 working days
Tax-free retirement lump sum processed by pensions/ Accounts	10 working days of retirement date.

PROCEDURES FOR ENSURING COMPLIANCE WITH STATUTORY REQUIREMENTS AND LEVELS OF PERFORMANCE

Ensuring compliance is the responsibility of the administering authority and scheme employers. We will work closely with all scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, in this Administration Strategy Statement. We will also work with them to ensure that overall quality and timeliness is improved as part of an agreed service development plan. Various means will be employed, in order to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

EXTERNAL PROVIDERS

The administering authority or scheme employers will ensure that any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme are aware of the standards to be met (such as external pension administration providers, payroll and HR providers). They will also be responsible for ensuring that those standards are met.

AUDIT

The East Sussex Pension Fund will be subject to annual audit of its processes and internal controls. The East Sussex Pension Fund and scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the East Sussex Pension Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

PERFORMANCE MONITORING

The East Sussex Pension Fund will monitor performance against specific tasks from the event date (e.g. date of leaving/retirement, etc) to date of the completion of the task (notwithstanding that service levels for benchmarking purposes are measured from the date that all necessary data has been received/is available). A part of this monitoring exercise we will include the monitoring of the performance of each scheme employer in the provision of all necessary data required by the administering authority enabling completion of each task. We will also monitor the performance of the administering authority in carrying out its responsibilities in relation to the scheme.

The East Sussex Pension Fund as the administering authority will regularly monitor performance by using a variety of information available to the Fund.

Communication

The Fund's Communications Policy Statement outlines how the Fund communicates with all stakeholders, including employers. [The Communications Policy Statement can be found at:](#)

The Fund routinely provides information and resources for employers using the Fund's website and the Pension pages on the ESCC website which contain an up to date list of LGPS publications, forms, newsletters, ESFOA updates and minutes from the Pensions Board and Pensions Committee meetings.

The employers and member's websites can be found at:

Employers website: <https://www.eastsussex.gov.uk/yourcouncil/pensions/members/>

Members website: <http://www.eastsussexpensionfund.org/>

The Fund will communicate to employers on an ad hoc basis and as required in respect of matters relating to the LGPS. The Fund will also hold at least one employer forum each year which all employers will be invited to.

The Fund will notify the employer of changes to administrative procedures that may arise as a result of changes in pension scheme regulations and update standard documentation on the Fund's website.

The Fund will issue forms, newsletters, booklets and such other materials as are necessary in the administration of the LGPS, for members and the employers.

Employers should provide contact details at least annually, and whenever a named contact changes, on the Employer Authorisation form.

Employers may provide information about members to the Fund in a variety of ways, including electronic and paper forms or via PensionsWEB. Forms used must be up to date, and are available on the Fund's website.

Employer Contributions

Regulations 67 and 69 of the Local Government Pension Scheme Regulations 2013 require that every Scheme employer pay over both employee and employer contributions to the Fund.

Regulation 67(1) provides for employer contributions by stating that a Scheme employer must contribute to the appropriate fund the amount applicable for that authority as calculated in accordance with the actuarial valuation.

Regulation 69(1) provides for employee contributions by stating that every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine, all amounts received from employees.

Regulation 69(3) specifies that each payment must be accompanied by a statement and the Administering Authority may direct in what form and at what intervals. The East Sussex Pension Fund has determined the above date to be the 19th day of each calendar month, and should this be as non-working day, then the 1st working day before. Under the regulations the date on which any amount above is overdue, is the day after the date specified by the administering authority for payment. Each payment must be accompanied an LGPS31 form.

Employers can send their monthly payments by cheque to the Orbis Business Operations Accounts Receivable Team, or via BACS transfer into the Pension Fund bank Account.

Employers should send the completed LGPS31 remittance advice by email to ESCC.accounts@sesharedservices.org.uk to arrive before the payment. If payment is sent by cheque the completed LGPS31 form must accompany the cheque.

An LGPS31 form (see appendix) is provided to the employer before the beginning of each tax year, or upon entry to the Fund. It contains their unique SAP cost centre number. The LGPS31 provides instructions regarding how to make payment and includes the ESPF bank account details.

East Sussex Pension Fund has determined the following charges for failure to comply with the above statutory requirements:

1. Non-receipt of payment by the deadline	1st instance	Warning
	2nd instance	£50 fine
2. Non-receipt of LGPS31 form	1st instance	Warning
	2nd instance	£50 fine
3. Multiple payments/LGPS31 forms received for a single employer, per month	£20.00 administration charge per additional payment	

Warnings for non-compliance will operate on a rolling 12 month basis, for example, should a warning have been issued and 10 months later there is a 2nd instance, a fine will apply. However, if it is 13 months later, another warning will be issued.

If an issue has not been resolved within 10 working days of a warning being issued, a fine will apply and the fund may take further action as appropriate regarding the failure to comply with the statutory requirements.

In addition to the above interest may be charged at 1% above base rate on any sum remaining unpaid for more than one month beyond the date on which it became due.

COSTS

The Fund's Actuary determines employer contribution rates for the three years following each triennial valuation. The rates and adjustments certificate provides details of all payments which are due from employers in the fund.

The costs of administration, including actuarial fees for the triennial valuation, are charged directly to the Fund. These administration costs are taken into account by the Fund's Actuary when assessing the employers' contribution rates.

Where additional actuarial or legal services are required by, or result from the actions of, the employer, the employer will be required to reimburse the Fund for the costs involved. Where appropriate, an estimate of these costs will be provided and the employer's agreement obtained before proceeding to instruct the service provider. Typical scenarios where costs may arise are where an employer outsources a service or for accounting reports required at year end.

If the Fund incurs interest charges as a result of a late notification of retirement from the employer, it may recharge to the employer the interest incurred on the late payment of the lump sum.

Employers may also be required to pay for additional work that is outside of business as usual, such as:

- Requesting the Fund undertake non-standard work
- Estimates which are in addition to the agreed allocation
- Requesting work to be completed earlier than the normal service standards.

The employer's agreement to the charge will be obtained prior to the work being carried out.

Consultation and review process

In preparing this administration strategy statement the Fund has Emailed all Employers within the Fund as part of an open consultation period whereby feedback from Employers has been sought, this consultation period commenced on XXXXXX and will cease on XXXXX

Thereafter, this administration strategy statement will be reviewed in line with each valuation cycle and the next review will be as at 1 April 2020. All scheme employers will be consulted before any changes are made to this document.

The latest version of this administration strategy statement will always be available on the ESPF website: [Link to page not document](#)

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Contact details

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ADMINISTRATION

Orbis Business Operations – Pensions Administration Team

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Report to:	Pension Board
Date:	26 June 2017
By:	Chief Operating Officer
Title of report:	Markets in Financial Instruments Directive (MiFID II) - Update
Purpose of report:	This report provides Members with an update on MiFID II, a framework of European legislation governing investment firms providing certain investment services to clients.

RECOMMENDATIONS

The Board is recommended to consider and note the Markets in Financial Instruments Directive (MiFID II) updates.

1. Background

1.1 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.

1.2 MiFID was applied in the UK from November 2007, but is now being revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. The changes are currently set to take effect from **3 January 2018**, with the new legislation being known as MiFID II - this includes a revised MiFID and new Markets in Financial Instruments Regulation (MiFIR).

2. Markets in Financial Instruments Directive (MiFID II)

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

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

2.3 At the end of October 2016, the FCA published its consultation on the implementation proposals for MiFID II. It received significant number of responses specifically focused on the opt-up criteria, including the East Sussex Pension Fund.

3. MiFID II - update

3.1 There has been a recent negotiation on the proposal between the Investment Association (IA), Financial Conduct Authority (FCA) and the LGA. The FCA Board met on 25th May 2017, and awaiting outcome from this meeting, which may include fourth criteria in the quantitative test with investors having to satisfy two of the four.

3.2 CIPFA is currently working on a project to simplify the process for local authorities to supply critical information to hundreds of financial institutions tasked with testing whether councils qualify for "professional" investor status under new MiFID II regulations. This move comes as Councils up and down the Country await the result of a Financial Conduct Authority (FCA) consultation on how

councils will qualify for professional status. Many fear the current proposed criteria will rule them out, thus reducing investment opportunities.

4. Implications for the ACCESS Pool

4.1 All ACCESS Funds will need to satisfy the criteria in order to opt up to “elective professional” status for existing investments from 3 January 2018. ACCESS will have to assess each Fund to determine whether they meet the criteria for opting up to “elective professional” status.

5. Conclusion and reasons for recommendations

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

KEVIN FOSTER
Chief Operating Officer

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Background Documents
None

Report to: **Pension Board**

Date: **26 June 2017**

By: **Chief Operating Officer**

Title of report: **Pension Fund Risk Register**

Purpose of report: **To consider and comment on the Pension Fund Risk Register.**

RECOMMENDATION

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

1. Background

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

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

2. Risk Register

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

3. Assessment of Risk

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

3.2 The East Sussex Pension Fund, risk profile (Appendix 1), has been updated and additional identified risks have been added to the register. No risks have been removed. As is normal, there have been changes to control measures across the risk portfolio. Additional added risks are –

- Guaranteed Minimum Pension (GMP) reconciliation;
- ACCESS Decision making - Chairs do not agree on key decisions around asset pools/governance, etc.;

- ACCESS - Failure to have ACS in place by government deadline of 31 March 2018 due to procurement timescales;
- ACCESS - Challenge to procurement process from unsuccessful supplier.

3.3 The more substantive change from critical to major risk relates to Risk 19- Employers unable to pay increased contributions.

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

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

4. Conclusion and reasons for recommendations

4.1 Monitoring of the Risk Register is an important role for the Pension Board, and should the Board identify specific concerns requiring policy changes, then reports will be brought to the Pension Committee for approval.

KEVIN FOSTER
Chief Operating Officer

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Background Documents

None

The risk scores are calculated using the risk matrix below:

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
IMPACT					

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

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

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

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

East Sussex Pension Fund

RISK REGISTER

Risk areas covered

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

Service Objectives

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

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ID	Linked to Objective	Risk Area	Description of Risk		Existing Controls	Score		Overall Risk Score
			Source (Lack of-... Failure to -...)	Consequences (Results in -... Leads to -...)		Likelihood	Impact	
1	4	1,2	Payments of pensions contributions <ul style="list-style-type: none"> ● Non-collection ● Miscoding ● Non-payment 	<ul style="list-style-type: none"> ● If not discovered it effects employers FRS17/IAS19 & Valuation, final accounts cash flow in pension fund ● Increase in investment risk taken to access higher returns 	<ul style="list-style-type: none"> ● Employer contribution monitoring ● Additional monitoring at specific times ● SAP / Altair quarterly reconciliation ● Improved employer contribution forms ● Annual year end checks 	2	3	6

2	4,6	2	Poor or inadequate delivery of Pensions Administration by service provider (Orbis -Business Operation), and achieving value for money	<ul style="list-style-type: none"> ● Members of the pension scheme not serviced ● Statutory deadlines not met ● Employers dissatisfied with service being provided + formal complaint ● Complaints by members against the administration (these can progress to the Pensions Ombudsman) ● Damaged reputation ● Financial loss to fund from poor decision making process 	<ul style="list-style-type: none"> ● Key Performance Indicators ● Internal Audit ● Reports to Pension Board / Committee ● Awareness of the Pension Regulator Guidance ● Follow procurement rules ● Decisions supported by fully costed business case 	2	3	6
3	2,3,4	1	Loss of key staff both Orbis Finance & Business Operations and loss of knowledge & skills	<ul style="list-style-type: none"> ● Inability to deliver service ● Damaged reputation ● Pensioners not paid 	<ul style="list-style-type: none"> ● Diversified staff / team ● Look at other authorities with best practices to ensure Orbis positions still desirable ● Attendance at pension officers user groups ● Procedural notes which includes new systems as and when required ● Section meetings / appraisals ● Succession planning 	2	2	4
4	4	2	Paying pension benefits incorrectly	<ul style="list-style-type: none"> ● Damaged reputation ● Financial loss ● Financial hardship to members 	<ul style="list-style-type: none"> ● Internal control through audit process ● Constant monitoring / checking ● In house risk logs ● SAP / Altair reconciliation ● Task management ● Vita cleansing 	2	3	6
5	3	3	Custodian bank (Northern Trust) goes bust	<ul style="list-style-type: none"> ● Inability to trade ● No reconciliation or accounting service ● Losses to cash account 	<ul style="list-style-type: none"> ● Service level agreement with termination clause ● Regular Meetings ● Regular reports SAS 70/AAF0106 ● Other Custodian options - review markets 	1	4	4

6	1,3	3	Poor investment performance from managers	<ul style="list-style-type: none"> ● Lower funding level ● Increase in employer contributions 	<ul style="list-style-type: none"> ● Performance measurement ● Managers report quarterly ● Reporting to pensions committee and board ● Diversification across managers ● Independent Advisor ● Investment consultant 	2	3	6
7	1,3,6	1,3	LGPS Investment Pooling	<ul style="list-style-type: none"> ● Mandated into inappropriate investments ● Lower funding level ● Damaged reputation ● Increase in employer contribution ● Increase in investment risk taken to access higher returns ● There can be size restrictions on certain investments ● Funds can be too big to fulfil their target allocation, ● Difficulty in switching in and out of the large position and possible delays in execution of investment decisions. 	<ul style="list-style-type: none"> ● Engagement in ACCESS asset pool group ● Reporting to Pensions Committee and Board ● Engagement with third party experts (e.g. Legal and Tax) ● Creation of a detail project plan 	2	3	6
Page 105	1	1,3	Assets not enough to meet liabilities	<ul style="list-style-type: none"> ● Lower funding level ● Increase in employer contributions ● Increase in investment risk taken to access higher returns 	<ul style="list-style-type: none"> ● Valuation ● Annual Investment Strategy Review ● Daily monitoring of funding level ● Investment Advisors 	2	3	6
9	1	1	Required returns not met due to poor strategic allocation	<ul style="list-style-type: none"> ● Damaged reputation ● Increase in employer contribution ● Pay Pensions ● Increase in investment risk taken to access higher returns 	<ul style="list-style-type: none"> ● Investment Advisors ● Triennial review ● Performance monitoring ● Annual Investment Strategy Review ● Reporting to Pensions Committee and Board ● Compliance with the Statement of Investment Principles ● Compliance with the Funding Strategy Statement 	2	3	6

10	3	3	Non-compliance of external fund managers	<ul style="list-style-type: none"> ● Damaged reputation ● Financial loss 	<ul style="list-style-type: none"> ● FCA regulated ● Manager due diligence ● Investment Management Agreement ● Manager monitoring ● Report quarterly to Pension Committee ● Investment Advisors ● Additional managers meetings ● Termination clause 	2	2	4
11	1	2	Financial/Accounting regulations (e.g. CIPFA) not adhered to / legal guidelines not followed	<ul style="list-style-type: none"> ● ESCC may incur penalties ● Damaged reputation ● Qualified Annual Report 	<ul style="list-style-type: none"> ● Regulation of Fund Managers AAF 01/06 & SAS 70 & equivalents ● Contracts in place setting out parameters ● Internal staff are appropriately qualified and aware of policies and procedures ● Pension Fund managed in line with regulations ● Membership of CIPFA Pensions Network, NAPF, LAPFF etc. 	2	2	4
106	1,3	1,2,3	Fees and charges of investment managers, actuary and investment adviser are excessive and not proportionate.	<ul style="list-style-type: none"> ● Not achieving value for money ● Lower funding level ● Damaged reputation ● Increase in employer contribution ● Increase in investment risk taken to access higher returns 	<ul style="list-style-type: none"> ● Both at tender stage and throughout the contracts, charges which are value for money are sought and challenged when appropriate. ● Fees and charges are identified in the Annual Financial Statement and specifically highlighted for the Pension Fund Board/Committee to consider. 	2	2	4

13	3	1,2,3	Personal gain (internal or external) through: <ul style="list-style-type: none"> ● Personal dealing ● Fraud or misappropriation of funds ● Fraud risk not being managed ● Manipulating share price 	<ul style="list-style-type: none"> ● Financial loss ● Damaged reputation ● Lower funding level ● Increase in employer contribution ● Increase in investment risk taken to access higher returns 	<ul style="list-style-type: none"> ● Protocol regarding personal dealing ● Declaration of interests ● Investment Management ● Agreements with Fund Managers ● Vetting of new Fund Managers through tender process ● Access restricted regarding transfer of funds - authorised signatories required ● Regulation of Fund Managers ● Code of Conduct ● Separation of duties ● Internal & external audit ● Monthly reporting ● Reconciliation procedures 	1	3	3
14	2	1	Financial Statements of Pension Fund incorrect or late	<ul style="list-style-type: none"> ● Damaged reputation ● Qualified accounts 	<ul style="list-style-type: none"> ● Agreed timetable ● Externally audited ● Qualified and trained staff ● Closedown procedures ● Compliance with CIPFA code of Practice and IFRS 	2	3	6
15	1,2,3,4	1	Governance of the pension fund	<ul style="list-style-type: none"> ● Financial loss ● Damaged reputation ● Legal issues 	<ul style="list-style-type: none"> ● Governance compliance statement ● Pension Committee and Board reporting ● Monthly member letter ● Statement of Investment Principles ● Funding Strategy Statement ● Trained Committee members and officers 	1	3	3
16	4	1,2	Lack of Communication with employers	<ul style="list-style-type: none"> ● Damaged reputation ● Incorrect payments/receipts ● Maladministration 	<ul style="list-style-type: none"> ● Employer forum ● Annual employers meeting ● Pensions website ● Pension board representatives feedback 	2	2	4

17	1,5	1,3	Maturing Fund	<ul style="list-style-type: none"> ● Cash flow issues ● Increasing employer rates ● liquid investments 	<ul style="list-style-type: none"> ● Investment strategy ● Cash flow monitoring ● Discourage opt outs ● New scheme 50/50 option ● Communication 	2	2	4
18	3	3	Investment Manager goes bust	<ul style="list-style-type: none"> ● Inability to trade ● No reconciliation or accounting ● Losses to assets ● Increase in investment risk taken to access higher returns ● Increase in employer contributions 	<ul style="list-style-type: none"> ● Service level agreement with termination clause ● Regular Meetings ● Regular reports SAS 70/AAF0106 	1	4	4
19	1	1,3	Employers unable to pay increased contributions	<ul style="list-style-type: none"> ● Lower funding level ● Increase in employer contributions ● Employer forced to sell assets ● Employer forced into liquidation ● Increase in investment risk taken to access higher returns 	<ul style="list-style-type: none"> ● Valuation ● Regular communication with Employers ● Monthly monitoring of contribution payments ● Meetings with employers where there are concerns 	2	2	4
Page 108	4	2	Cyber Security of member data - personal employment and financial data	<ul style="list-style-type: none"> ● ESCC may incur penalties ● Damaged reputation ● Legal issues ● Members of the pension scheme exposed to financial loss ● Members of the pension scheme exposed to identity theft ● Members of the pension scheme data lost or compromised 	<ul style="list-style-type: none"> ● ICT defence-in-depth approach ● Utilising firewalls, ● Email and content scanners ● Using anti-malware. ● ICT performs penetration and security tests on regular basis 	1	4	4
21	1,3,5	3	Cyber Security of third party suppliers	<ul style="list-style-type: none"> ● Damaged reputation ● Financial loss ● Inability to trade ● Lower funding level ● Increase in employer contribution ● Increase in investment risk taken to access higher returns 	<ul style="list-style-type: none"> ● Service level agreement with termination clause ● Regular Meetings ● Regular reports SAS 70/AAF0106 ● Investment Advisors ● Global custodian 	1	4	4

22	4,6	1,2	Guaranteed Minimum Pension (GMP) reconciliation	<ul style="list-style-type: none"> Financial loss Members of pensions scheme exposed to financial loss Legal issues Inaccurate record keeping Damaged reputation 	<ul style="list-style-type: none"> Awareness of Pension Regulator Guidance Public Service Pensions Act 2013 Internal Audit Key performance indicators Task Management Reports to Pension Board and Committee 	2	3	6
23	1,3,6	1,3	ACCESS Decision making - Chairs do not agree on key decisions around asset pools/governance etc.	<ul style="list-style-type: none"> Damaged reputation Increase in investment risk taken to access higher returns Difficulty in switching in and out of the large position and possible delays in execution of investment decisions 	<ul style="list-style-type: none"> Robust drafting/review/sign off process, Regular meetings where funds can share thoughts. 	1	3	3
24	1,3,6	1,3	ACCESS - Failure to have ACS in place by government deadline of 31.03.2018 due to procurement timescales.	<ul style="list-style-type: none"> Mandated into inappropriate investments Damaged reputation Difficulty in switching in and out of the large position and possible delays in execution of investment decisions 	<ul style="list-style-type: none"> Active project management. Specification to be clear on timescale requirements. Supplier implementation plans to form part of tender evaluation process 	3	3	9
25	1,3,6	1,3	ACCESS - Challenge to procurement process from unsuccessful supplier.	<ul style="list-style-type: none"> Mandated into inappropriate investments Damaged reputation 	<ul style="list-style-type: none"> Procurement process lead by Kent County Council Procurement team. Input sought from Squire Patton Boggs (SPB) where necessary. 	2	3	6

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Report to: Pension Board

Date of meeting: 26 June 2017

By: Chief Operating Officer

Title: Local Pension Board Survey

Purpose: This report provides the Board with the Scheme Advisory Board (SAB) invitation to the Pension Board to participate in a survey, which assess the effectiveness and operational efficiency of the new governance arrangements.

RECOMMENDATION -

The Board is recommended to:

- 1. note the Scheme Advisory Board (SAB) survey, and**
 - 2. discuss and agree the draft survey response**
-

1. Background

1.1 The Scheme Advisory Board (SAB) has invited the Chairs of the East Sussex Pension Committees and the Pension Board to participate in a survey to assess the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of the local pension board. SAB agreed that the survey should also be extended to scheme stakeholders.

1.2 Regulation 106 of the Local Government Pension Scheme Regulations 2013 required LGPS administering authorities to establish local pension boards by 1st April 2015 to assist them in the effective administration and governance of the scheme.

1.3 Given the passage of time since the establishment of the ESPF Pension Board, the Scheme Advisory Board considers that it would be appropriate and timely to test the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of Pension Board and interaction with the Pension Committee - administering authority.

2. Local Pension Board Survey

2.1 The web based survey is intended to enable the SAB to identify any areas of the legislation or related guidance affecting local pension boards that may need to be reviewed to ensure that the statutory requirements of the 2013 Regulations and code of practice issued by the Pensions Regulator are being met. Where appropriate, the Board may make recommendations to DCLG for any regulatory changes that are considered necessary.

2.2 The link to the survey was sent separately to both the administering authority - Pension Committee and the Pension Board, who are invited to complete the same survey independently. However, this is not to exclude the Committee and the Board from collaborating on their respective responses where this is agreed locally.

2.3 The closing date for survey responses is the **28 July 2017**. To ensure that all relevant scheme stakeholders have an opportunity to participate, the website link to the survey has been published on the ESPF website and circulated to the Fund employers through the ESFOA monthly newsletter.

3. Conclusion and recommendations

3.1 The Board need to agree the draft survey response, the Regulator will not be disclosing individual data to third parties whereas the Scheme Advisory Board will be able to make greater use of individual responses to their survey in assessing whether any changes to regulations or guidance need to be made.

KEVIN FOSTER
Chief Operating Officer

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BACKGROUND DOCUMENTS:

None

Report to: Pension Board

Date of meeting: 26 June 2017

By: Chief Operating Officer

Title: Guaranteed Minimum Pensions (GMPs) Reconciliation - Update

Purpose: To provide background and a progress update on the reconciliation of GMPs between HMRC and the East Sussex County Council Pension Fund

RECOMMENDATIONS

The Board is recommended to note the progress on the reconciliation of Guaranteed Minimum Pensions (GMPs) between HMRC records and the ESCC pension fund

1 Background

1.1 This report is intended primarily to update the Board on the background as to the reasons why GMP reconciliation is required and the progress of the reconciliation project.

1.2 The Local Government Pension Scheme (LGPS) is a defined benefit scheme which was contracted out of the State Earnings Related Pension Scheme (SERPS). Had the scheme not been contracted out, then each qualifying member would have accrued an additional pension up to 6 April 1997 under the SERPS arrangements, funded by their National Insurance contributions. A condition of this contracted out status, was that the pension scheme maintain a record of an individual member's accruing GMP. This value is designed to be broadly equivalent to the SERPS benefit that the member would have accrued, had they not been contracted out.

1.3 There are complex regulations regarding annual inflationary increases to the GMP element of an individual's pension and the dates at which it becomes payable to the Scheme member. The Government decided that with effect from 6th April 2016 contracting-out would be abolished, coinciding with the introduction of the new Single Tier State Pension, and as a result HMRC are providing a one-off service to enable Schemes to reconcile the GMP figures they hold with those held by HMRC – this service will cease in December 2018.

1.4 It is important to reconcile the GMP element recorded on the East Sussex County Council pension fund administration system with that held on the HM Revenue & Customs' (HMRC) system, to ensure that pensions coming in to payment, together with those already in payment, are paid at the correct amount and the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future valuation.

2 Reconciliation Process

2.1 Although there are multiple possible approaches to the reconciliation process, simplistically it falls into 3 stages:-

- Stage 1 – Initial analysis and data matching
- Stage 2 – Reconciliation – data reconciliation, manual reviews and query liaison with HMRC
- Stage 3 – Rectification – calculations of under/overpayments, communication with members

2.2 The Board may recall that a specialist data analyst, ITM Ltd, were previously engaged to perform Stage 1 and identified significant mismatches between HMRC and ESCC fund records. The level of queries was however consistent with the results of analysis undertaken by other local authority funds and was in line with expectations based on known issues with Government GMP records.

2.3 Business Operations had previously anticipated that the recently launched Norfolk framework for LGPS pensions administration support services would provide a structured pricing catalogue from which a provider could be selected to conduct Stage 2 and/or Stage 3 on behalf of the ESCC pension fund. Unfortunately, given the complexity of the process and the variety of possible approaches across the 10 providers on the framework, the decision was taken by the framework team to remove the pricing catalogue.

2.4 There was an option to enter a 'mini-competition' tender at this stage but this would take a number of months to complete and would potentially commit the ESCC fund to excessive costs because any submissions for reconciliation and rectification at this stage would be based on estimated reconciliation volumes.

2.5 Although the majority of LGPS funds have not yet commenced their reconciliations, we are aware that response times from HMRC in relation to reconciliation queries are between 3 to 6 months at present and, although HMRC are committed to further resourcing at their end, it is possible these response times may extend once the majority of LGPS funds start to submit reconciliation queries.

3 Modular Approach to Reconciliation

3.1 Given the potential time pressures involved, Business Operations has been exploring possible options to progress the reconciliation and, in consultation with the ESCC Chief Finance Officer and procurement colleagues, has agreed with ITM a 'fast tracked' modular approach for the next stage of the process. This is a two-month project which will allow full utilisation of the analytical tools available to ITM as well as recent technology introduced by HMRC and will initiate significant volumes of queries to be submitted into HMRC workstreams. The details of the work to be carried out by ITM under this phase are included in **Appendix 1**.

3.2 This two month project will have the following advantages:-

- 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
- Will 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
- Will allow Business Operations to commence file reviews on 'known' discrepancies (e.g. where HMRC have a GMP liability but ESCC have no record) whilst we await HMRC responses on other query types
- ITM will provide a member level breakdown of processing on completion so that a different provider could pick up the benefits of the work done so far, if required. ITM would also provide a clear report setting out the queries resolved and outstanding so that this could be used as part of a "mini competition" tender specification under the Norfolk framework for subsequent Stage 2 and Stage 3 work

This project is a multi-fund agreement with ITM to provide best value and the proportional cost to the ESCC fund, based on membership numbers, will be shared at the Board meeting (as this information may be deemed to be commercially sensitive). The price is competitive and ITM has agreed to include reconciliation for active members as well as the deferred and pensioner members which were part of the original Stage 1 analysis. At the time of the initial analysis, HMRC had only released GMP for deferred and pensioner members.

3.3 The attached timeline (**Appendix 2**) sets out how the reconciliation process is expected to develop over the next 12 months, though progress will be impacted in the main by response times from HMRC. Business Operations will continue to report progress to the Board as the project continues.

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ITM Proposal: GMP Reconciliation Priority Project for Orbis

Maurice Titley

12 June 2017



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1 Introduction

1.1 Summary

ITM is very pleased to submit this proposal for Guaranteed Minimum Pension (GMP) Reconciliation services for Orbis in respect of the East Sussex Pension Fund and the Surrey County Council Pension Fund (the Funds), following the initial audit carried out by ITM (Initial Audit). The Funds are administered by Orbis (the Administrator) through a Shared Services agreement.

The intention is that this document will enable Orbis to propose a “Priority Project” of GMP reconciliation activities to the relevant administering authorities (the Authorities) that will enable the vast majority of queries to HMRC to be submitted at the earliest possible point, therefore achieving a better position in HMRC’s work queue. This in turn should enable Orbis to process HMRC responses and submit any follow-up queries to HMRC well before the final deadline of October 2018.

Following completion of the “Priority Project”, ITM will provide Orbis with reports and member-level outputs so that Orbis is in a position to evaluate how to proceed with the remainder of the GMP reconciliation. While ITM would be delighted to assist further, ITM’s outputs will also be sufficient for Orbis to create a specification of the remaining work required to provide to other suppliers, and also to enable either Orbis, or any other party, to take on the remainder of the GMP reconciliation work.

ITM will work to a pre-agreed target timescale and fixed fee for the work, once the scope of ITM’s involvement is agreed. For the active members work the date by which the “HMRC active member closure scan” is available will define the timing of that part of the project.

1.2 Next steps

We hope the information presented in this proposal provides all that is required at this stage and look forward to discussing in more detail in the near future.

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2 Stage 1- GMP Comparison

2.1 Current Position – Non-actives

ITM has previously completed a GMP comparison analysis exercise using the HMRC Scheme Reconciliation Service data provided for non-active members for both Funds. Following this exercise, ITM has:

- ▶ Determined the current position regarding the GMP reconciliation for the Funds, based upon the data provided. There were circa 64,000 discrepancies identified between HMRC records and Orbis's records, including both contracted-out membership discrepancies and GMP value discrepancies. This is projected to rise to c 72,000 once all HMRC GMP data is available to compare with administration data.
- ▶ Analysed the membership and GMP discrepancies, and determined how a bulk analytical approach to resolution can be applied, as opposed to a manual labour-intensive approach. This approach would include the application of ITM's technology to control costs and minimise the requirement for individual file review, as set out later in this section.
- ▶ Met with Jason Bailey from Orbis to determine how a Priority Project could be scoped to best meet the most urgent GMP reconciliation objectives, which are those that will result in large volumes of queries being submitted to HMRC and entering their work queues.

2.2 Current Position – Active members

There has been considerable delay in HMRC providing SRS data for those members who remained in active service at 6 April 2016, referred to by HMRC as a Scheme's 'Active Closure Scan'. However, Schemes are now receiving Closure Scan data, and ITM understands that Orbis has requested this data for the Funds, and is currently awaiting it from HMRC.

Once received, ITM will undertake the tasks set out in Section 3 below, which will also include carrying out the equivalent of the Stage 1 comparison for these members.

3 Stage 2 Priority Project

3.1 Project scope

ITM's proposed project scope is as follows:

- ▶ Undertake a focused, 2 month project, designed to efficiently and accurately issue the vast majority of queries to HMRC in good time, before the expected capacity issues at HMRC as the volumes of schemes carrying out GMP reconciliation increases to its peak ahead of the October 2018 deadline.
- ▶ If active members closure scan data is not available at the outset of the project, then ITM will proceed with the deferred and pensioner members first, to ensure that these queries are not delayed in being submitted to HMRC. The active members will then be addressed in a separate two-month project.
- ▶ During the project ITM will perform a range of data analysis tasks to resolve discrepancies between the population of HMRC records and Fund records, backed by ITM's technology platform which has been specifically designed for reconciliation of Altair data with HMRC data, for example for members with multiple employments.
- ▶ Produce query files for HMRC throughout the project. These query files will cover the vast majority of HMRC queries that need to be submitted and require a response back, in order to be processed by Orbis, or any future supplier of GMP reconciliation to Orbis.

The detailed scope and methodology that ITM propose is set out in the table below:

ITM Priority Project Scope		
Preparation		
Project initiation session	ITM, Orbis	Initiation meeting and agreement on any additional data and information sources that are available relevant to the Initial Project (e.g. archived data from a data migration).
Agree how ITM will access the relevant HMRC eRoom	ITM, Orbis	Different options are available.
Loading of full administration data extract, and all available HMRC data	ITM, Orbis	We could use existing data used for Stage 1, depending on logistics it may be prudent to use a fresh extract from Altair
Process the baseline position. Separate baseline to be produced in respect of active members once the closure scan has been received and analysed.	ITM	Create a detailed categorisation of all discrepancies between Fund records and HMRC data, to enable analytical investigation to proceed. Include active closure scan data if available.
Data analysis and query submission		
Member record held on Altair, no HMRC data provided	ITM	Initial analysis for members for whom HMRC have not provided any records. Initial queries to be submitted to HMRC. Following this a list of members whose data requires further individual file review by the Administrator to improve member matching or to challenge HMRC, for example where suspicious service date queries are identified (e.g. date of joining, leaving and retirement all show the same date), will be produced and made available to the Administrator.

Temporary or invalid NI numbers	ITM	<p>Use data analytics to improve matching. ITM reprocess to match to HMRC records.</p> <p>Discrepancies that cannot be resolved by analytics will be added to cases to be reviewed by the Administrator.</p>
Multiple records on HMRC not matching clearly to administration system	ITM	<p>Perform analytical checks to establish as many matches between the HMRC and Administration data as possible, catering for LGPS-specific issues such as multiple concurrent employments.</p> <p>Where GMP values are within tolerance, match exactly or post -97 service dates agree for members where the links between HMRC and Administration data has been improved, the cases will be considered to be reconciled and their reconciliation status will be updated.</p> <p>Discrepancies that cannot be resolved by analytics will be submitted to HMRC for investigation.</p>
Multiple records on administration system not matching clearly to multiple HMRC records	ITM	<p>Complete analytical checks to establish as many matches as possible. For example, members with multiple administration records matched to a single HMRC record as the contracted out service period provided by HMRC covers all administration service periods.</p> <p>Where GMP values are within tolerance, match exactly or post -97 service dates agree for members where the links between HMRC and Administration data have been improved, then the cases will be considered to be reconciled and their reconciliation status will be updated.</p> <p>Discrepancies that cannot be resolved by analytics will be submitted to HMRC for investigation.</p>
Deceased member analysis	ITM	<p>Complete analytical checks to establish as many matches as possible.</p> <p>An initial batch of queries may be submitted to HMRC if there are members whom HMRC records as alive but are shown as deceased on the administration record with no further liability due e.g. no qualifying spouse.</p> <p>There will be some unresolved cases passed into file review in respect of members who are shown as alive on the HMRC but deceased on the administration record, in which case a copy of the death certificate will need to be retrieved from the member record to enable the HMRC position to be challenged.</p> <p>Members where HMRC records the member as deceased with a spouses' pension in payment, but the administration data indicates that the member is alive, will also be passed for individual file review by the Administrator.</p>

Dependants' records on administration system not linked to deceased member	ITM	<p>Complete analytical checks to establish as many matches to the original first life as possible.</p> <p>Members will be passed for individual file review by Orbis where it is not possible to link the records through data interrogation.</p>
<i>All remaining population discrepancies between HMRC and Fund records</i>		
All remaining members	ITM	<p>Submit bulk advice to HMRC, including "not in scheme" queries and "was in scheme" queries, using the new HMRC templates for automated query processing.</p> <p>Confirm where members with no GMP provided are expected to have no GMP.</p>

3.2 Project deliverables

At the conclusion of the project, ITM will provide the following deliverables:

- ▶ A full report detailing the success of the Initial Project in resolving population discrepancies, and submitting queries to HMRC. A section of this report will also set out the GMP reconciliation work remaining to be carried out, and as such this report could be used as part of a specification to procure services to enable completion of the GMP reconciliation.
- ▶ Member-by-member data output from ITM's GMP reconciliation system that provides the results of the reconciliation analysis and member matching carried out in a format that can be used by whichever team or external supplier picks up the remainder of the GMP reconciliation work. This will also include full details of queries files that have been submitted to HMRC.
- ▶ Member listings where ITM's analysis has concluded that additional data may be available on individual member files, or in the case of active members from other records held by employers, that will assist with the reconciliation. Each group of members will be clearly categorised so that Orbis can take decisions on how much individual review is required for each group. Orbis can then proceed to undertake those reviews and provide the results to whichever team or external supplier picks up the remainder of the GMP reconciliation work.

4 *ITM Methodology*

4.1 ITM's approach for the Priority Project

ITM's approach to be employed on this Priority Project for Orbis has been developed from work on over 50 Stage 2 GMP reconciliations. Four major LGPS funds administered on Altair have already completed Stage 2 using this approach.

Through this experience, and the support of Aquila Heywood, ITM has configured an extensive code base for data interrogation of Altair data into our data management platform eDAaRT. This enables ITM analysts to maximise the use of the Altair database to carry out investigations into discrepancies between Altair and HMRC records.

This approach has proved very successful on other LGPS clients, where c 90% of discrepancies are expected to be resolved through data interrogation and HMRC queries, with only 8% submitted to the administering authority for possible file review investigation (not all of which will ultimately require manual investigation).

ITM's technology includes sophisticated code that is utilised for investigating LGPS-specific scenarios, such as multiple and concurrent employments under the LGPS, that have been created by ITM's expert analysts. This technology will be key to support many of the initial GMP reconciliation tasks included in this Priority Proposal.

This technology allows ITM to carry out investigation for GMP reconciliations under a uniquely analytical and efficient approach. The technology utilised ensures the highest level of quality because complex analytical tasks, such as those related to multiple and concurrent employments, are undertaken by analysts using in-built system procedures rather than as manual assessments that are prone to human error.

4.2 ITM technology

ITM's proprietary GMP reconciliation system eDAaRT, together with its highly skilled pool of data analysts and LGPS reconciliation experts, enables ITM to investigate GMP reconciliation discrepancies under a uniquely analytical and efficient approach, which has the benefit of controlling the number of individual file reviews that will need to be performed by Orbis, giving the following benefits for Orbis:

- ▶ reduced overall disruption to the Orbis administration team; minimising internal costs
- ▶ reduced timescales for Stage 2 of the GMP reconciliation ability to meet the October 2018 deadline
- ▶ ensuring the highest level of quality of output; it is mostly generated from data interrogation rather than manual assessments recorded by staff working on the project

eDAaRT is also ITM's core data management system, which includes in-built templates for loading and interpreting Altair data, refined over many previous projects, and maintained with support from Aquila Heywood when upgrades may impact the underlying data held.

Once loaded, eDAaRT enables ITM to access its full library of LGPS analysis scripts and procedures. A screenshot of eDAaRT is shown below:

reportnumber	reportname	criticality	cleansingindex	total	root:casenanalysis	impactanalysis	active	preserved	in payment	dependant	no liability
1	Missing surname	9	0.00000	0			0	0	0	0	0
2	Missing or temporary NI Number	9	0.00200	783			59	517	54	153	0
3	Missing forenames or initials	9	0.00000	0			0	0	0	0	0
4	Missing sex	9	0.00000	0			0	0	0	0	0
5	Missing or inconsistent date of birth	9	0.00000	1			0	0	0	0	1
6	Missing pensionable service start date	9	0.07500	85215			5	2772	5595	23844	52988
7	Missing expected retirement date	9	0.00100	225			1	234	0	0	0
8	Missing status	9	0.00000	0			0	0	0	0	0
9	Inconsistent last status event	9	0.00200	953			64	686	191	0	0
10	Missing address	9	0.03600	14950			26	14922	2	0	0

eDAaRT

For GMP reconciliation projects, eDAaRT's functionality is built around a task management, quality and auditing framework that will support all the GMP reconciliation tasks in the Priority Project as follows:

- ▶ Enabling analysts to work effectively
- ▶ Ensuring all analysis is peer reviewed for quality control
- ▶ Producing an unambiguous audit trail of how the reconciliation status of each member has improved by each piece of analysis or individual file review
- ▶ Providing exports of the member-by-member data that is required to pass back to Orbis at the conclusion of the Priority Project

4.3 Quality and auditing

ITM's approach for GMP reconciliation is applied within the structure of its quality control processes. ITM's focus on quality underpins all aspects of the business through a robust Quality Management System (ITM QMS) which governs all working processes, systems and internal controls. ITM has been approved by Lloyds Register Quality Assurance (LRQA) to the following standards:

- ▶ Quality management – ISO 9001:2008 (obtained in September 2008)
- ▶ Information security management – ISO/IEC 27001:2013 (obtained June 2012)

ITM undertook AAF01/06 audit for the 2015 reporting year, (and will undertake an AAF accreditation every other year). ITM's QMS will be moving to ISO 9001:2015 in 2017.

The following key quality controls are enforced to ensure the accuracy of information being updated following the investigations carried out during the course of the project:

- ▶ Each analysis task is tracked, together with the members that are included in the task population.
- ▶ All analysis tasks for each member are tracked at a member level, together with the next action required.
- ▶ Any decisions required to conclude the reconciliation for groups of members are clearly noted, including the timing and level of authority at which decisions were taken.
- ▶ Submissions to HMRC are tracked.
- ▶ GMP values and any other revised data to be updated on the Altair administration system are recorded.
- ▶ Doers/checkers and dates are allocated to all actions to ensure quality control and peer review.

5 Fee Proposal

5.1 Introduction

ITM has estimated our fees for the Priority Project outlined above based on the Stage 1 report previously carried out for the deferred and pensioner members, and also based on our recent experience of processing active member closure scans.

5.2 Stage 2 Priority Project

ITM's fee estimates below are for carrying out the entirety of the Stage 2 Priority Project, including processing the Active Closure Scan, using our methods and technology set out in Sections 3 and 4 above.

ITM would commit to fixed fees against a fixed detailed scope, as detailed in the table below.

Please note that all fees quoted exclude VAT, travel and disbursements.

Phase	Fees
<p>Stage 2 (GMP Reconciliation) Project for both Funds – two month project for deferred and pensioner members. Two month project for active members that can be separated if required if data is received later.</p> <p>Priority Project, including:</p> <p>Loading of SRS data including HMRC Error Code cases and Actives closure scan; loading data from client following manual file reviews; loading of additional administration data provided</p> <p>Matching of multiple HMRC/ multiple admin records, dependants linking and improvements in matching</p> <p>Analytics to resolve cases where dependant link needs to be established</p> <p>Confirming members as “agreed no GMP” cases where there is no HMRC record</p> <p>ITM Senior Analyst control and sign off throughout project; liaison with HMRC and Orbis; submission of HMRC queries; all initial activities; maintenance of audit trail throughout project and provision of final data and reports</p> <p>TOTAL fixed cost:</p>	<p>Proposed fixed fee:</p> <p>£</p>

5.3 Assumptions behind fees

ITM's fee quotations have been based on the results of the Stage 1 comparison for deferred and pensioner members. The other key assumptions in ITM's fee quotation are as follows:

- ▶ It will be necessary for ITM to raise queries with HMRC using the Scheme Reconciliation Service, including escalation of such queries as appropriate by sending individual queries to HMRC. There are different ways of achieving this and ITM will agree this with Orbis at the outset of the project.
- ▶ ITM will request data from the Contracted-Out Contributions/Earnings Information Service (COCIS) for employers related to the Scheme whose ECONs are present on the Scheme Reconciliation Service data where it is concluded that it will assist our investigations.
- ▶ The project management component with the fees quoted is based on the assumption that the work is carried out in the elapsed timescales stated.
- ▶ The activities will be carried out at ITM's offices using ITM's technology, where it is possible to do so.

6 *Why ITM and the benefits ITM bring*

6.1 Why ITM

ITM is uniquely well placed to undertake this project for Orbis because:

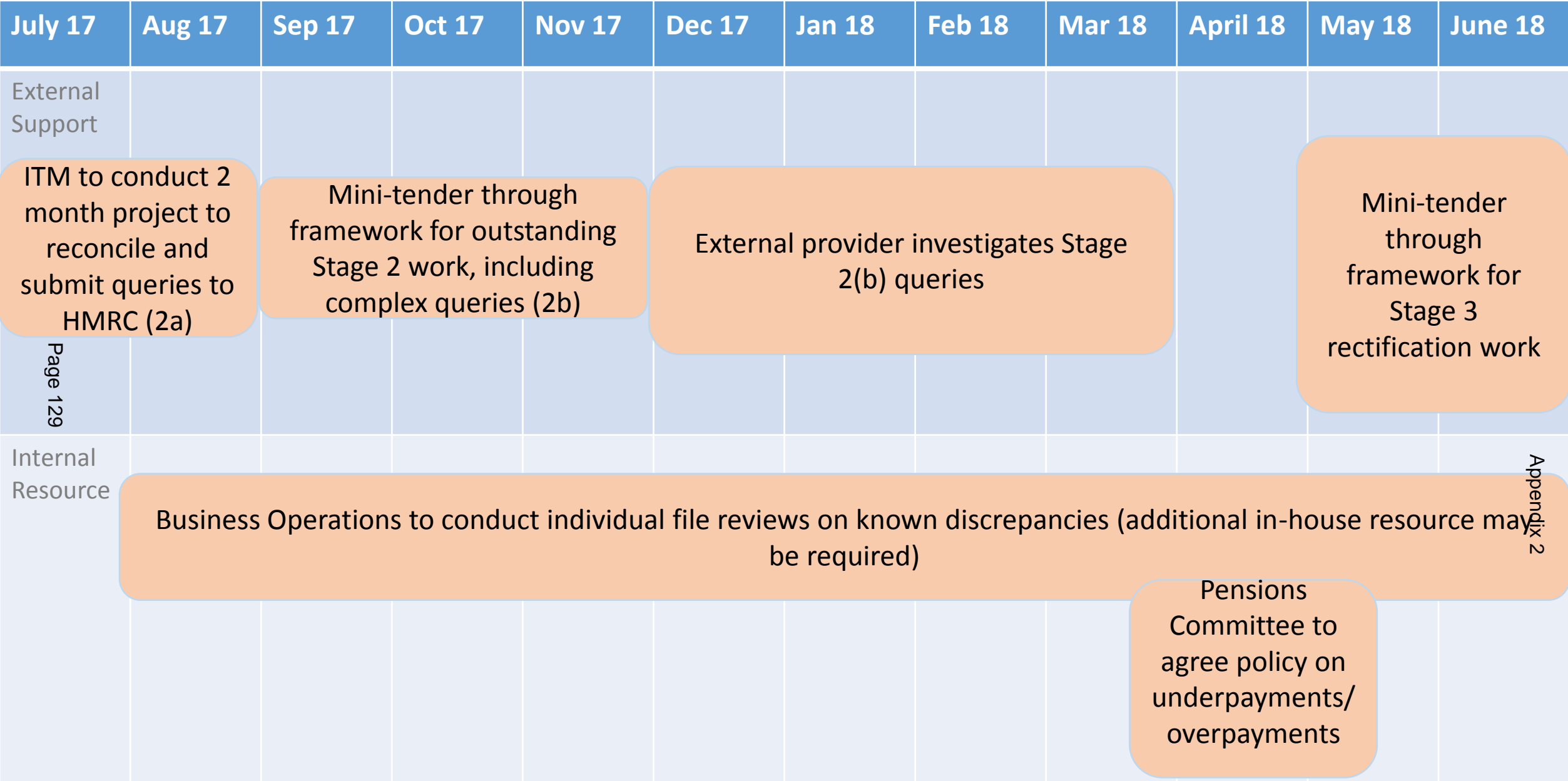
- ▶ ITM has unique industry experience of pricing GMP reconciliation projects as an independent provider of data services. ITM has been appointed by 10 LGPS funds to carry out GMP reconciliation on this standardised pricing basis. Six of these LGPS funds have now successfully completed their GMP reconciliation project (four administered on Altair), and one of the funds administered on Altair is mid-way through the benefit rectification project following GMP reconciliation.
- ▶ ITM is a projects-based business that understands that administration projects are different to “business as usual” administration activities, most importantly that they need to take place over a defined period of time and within an overall fixed budget.
- ▶ ITM is a specialist pensions data analysis and data cleansing company with pensions data specialists and custom built GMP / data analysis and GMP / data cleansing software (eDAaRT).
- ▶ ITM has a well-established relationship with HMRC gained through undertaking many previous GMP projects.
- ▶ ITM will work to a pre-agreed target timescale and firm fixed fee.
- ▶ ITM is able to make an immediate start with the project to enable further queries to be submitted to HMRC at the earliest opportunity, to ensure that Orbis’s queries are in the queue.

6.2 Benefits of working with ITM

The benefits of ITM undertaking this project with Orbis can be summarised as follows:

- ▶ ITM has a proven track record of achieving complex GMP and data cleanse projects on time and to budget - with a range of large, complex, final salary pension schemes, including LGPS Schemes, which are good comparators for the challenge that will be faced in carrying out a reconciliation with Orbis for the Fund.
- ▶ A highly cost effective approach that resolves a high percentage of discrepancies, without the need for individual file review.
- ▶ An approach that uses data analytics to guarantee accuracy, reducing the reliance on unnecessary human judgements and manual intervention during individual file review.
- ▶ ITM has performed around 16 GMP reconciliations on Altair held data.
- ▶ Reduced disruption for the Orbis administration teams enabling them to focus on other projects and business as usual member service activities.
- ▶ ITM’s approach for the GMP Reconciliation Priority Project is planned to take place over a compressed period, adopting an automated approach that is both practical and effective for large pension schemes.
- ▶ An automated, fully auditable solution delivered efficiently in conjunction with LGPS knowledge.

GMP Reconciliation – Projected Timeline over next 12 months (subject to HMRC response rates)



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Report to: Pension Board

Date of meeting: 26 June 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 Board is recommended to consider and note:

- 1) the Key Performance Indicator report for the period January to May 2017; and
 - 2) the update on progress of 2017 annual benefit statement exercise.
-

1 Background

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

2 New Key Performance Indicators (KPIs)

2.1 The Board and Committee previously agreed to Business Operations proposals for an updated set of Key Performance Indicators (KPIs) to provide full transparency of the scale of the scheme administration and to provide assurance of key standards and deadlines being met.

2.2 The new KPIs were operational from 1 October 2016 and **Appendix 1** shows the individual monthly performance levels for the period January to May 2017.

2.3 The performance levels of the team and the levels of customer satisfaction (captured from survey feedback) over this five month period are generally high, though the Board are invited to comment on any areas of concern. It should be noted that, with regard to sections 6(a) and (b) covering estimates, both employees and employers will be provided with an online facility from July 2017 to enable them to calculate their own estimates if they wish to do so. Members of the Business Operations team will be available to provide support to employees and employers who wish to use this online facility.

3 Year-end returns and Annual Benefit Statements 2017

3.1 The statutory target date for production of Annual Benefit Statements (ABS's) is 31 August 2017 and production of the ABS's is dependent on accurate and timely submission of year end returns of pensionable pay and contributions data from employers in the East Sussex County Council fund.

3.2 Employers were provided with a target date of 30 April 2017 to submit year end returns. The majority of employers in the fund have submitted their returns for processing with a number of smaller employers (representing 3% of the active membership of the fund in total) still outstanding. Active engagement is taking place with these employers to complete their returns and ensure Business Operations is in a position to produce ABS's for all members.

3.3 The Board may recall that the intention is to produce ABS's online for 2017 rather than postal distribution and progress remains on track to ensure the statements will be available for viewing online by 31 August 2017.

4 Personnel Update

4.1 The Operations Manager for the Business Operations pensions team based in Lewes, Graham Devenish, has announced he will be retiring on 31 July 2017 after three years in the post. The team is currently enjoying a period of relative stability with no staff having left the organisation during 2016-17 and this should help to ensure minimal operational impact prior to a replacement being appointed.

Kevin Foster
Chief Operating Officer

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East Sussex Pensions Administration - Key Performance Indicators 2016-17

	Activity	Measure	Impact	Target	Jan	Feb	Mar	Apr	May					
	Scheme members	Pensioners, Active & Deferred			71043	71392	71427	71552	71556					
	New starters set up				214	389	583	241	216					
	Data quality	Meeting regulatory standards												
	Cost per member	Administration cost in CIPFA benchmarking		<lowest quartile	2016-2017 Report Due in October 2017									
	ABS sent - Councillors	Statutory deadline		Due by 31 Aug	See update provided in covering report									
	ABS sent - Active	Statutory deadline												
	ABS sent - Deferred	Statutory deadline												
					Volume	Score	Volume	Score	Volume	Score	Volume	Score		
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	13	100%	22	100%	16	100%	10	100%	18	100%
1b	Award dependent benefits	within 5 days	H	95%	11	100%	17	94%	15	93%	7	86%	16	94%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	122	95%	107	93%	104	92%	88	91%	109	97%
2b	Payment of lump sum made	within 5 days	H	95%	117	91%	76	92%	102	91%	89	94%	100	94%
3 (Same as 1B?)	Calculation of spouses benefits	within 5 days	M	90%	11	100%	17	94%	15	93%	7	86%	16	94%
4a	Transfers In - Quote (Values)	within 10 days	L	90%	54	76%	48	94%	43	84%	36	92%	31	97%
4b	Transfers In - Payments	within 10 days	L	90%	31	87%	23	96%	28	93%	24	100%	19	95%
5a	Transfers Out - Quote	within 25 days	L	90%	42	93%	39	97%	31	100%	23	100%	21	100%
5b	Transfers Out - Payments	within 25 days	L	90%	22	95%	11	100%	20	100%	9	100%	8	100%
6a	Employer estimates provided	within 7 days	M	95%					39	97%	40	98%	38	87%
6b	Employee projections provided	within 10 days	L	95%	67	93%	99	90%	70	91%	60	90%	79	94%
7	Refunds	within 10 days	L	95%	53	96%	38	100%	72	100%	40	100%	47	96%
8	Deferred benefit notifications	within 25 days	L	95%	257	99%	286	100%	377	100%	261	100%	198	97%
9	Complaints received- Admin				2		1		2		0		0	
	Complaints received- Regulatory													
10	Employer survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%										
11	Member survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%	23	100%	9	100%	25%	96%	15	93%	*	*
12	Compliments received				3		1							

* Data not yet received

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Report to: **Pension Board**

Date: **26 June 2017**

By: **Chief Operating Officer**

Title of report: **Officer report - General Update**

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

RECOMMENDATIONS – The Board is recommended to consider and note the update.

1. Introduction

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

2. Local Government Pension Scheme pooling and Funds Collaboration - ACCESS Pool - progress update

2.1. Investment manager selection and sub-fund design - In light of both financial services and public procurement regulations, there is a risk that agreements concluded between the Operator and sub-fund Investment Managers could be regarded as "public contracts", within the scope of the public procurement rules, if the ACCESS Funds control the Operator's selection of those Managers. This principle applies to both the rationalisation of the Investment Managers that are already engaged by the individual ACCESS Funds, and the appointment of new Investment Managers at a later stage.

2.2 Joint Committee representation on Operator Board - While the idea of a seat on the board of directors of the Operator and holding shares in the Operator seems initially attractive, both situations come with practical issues that require a large amount of consideration. The protections provided to the ACCESS funds under the FCA rules and as provided in the Operator Agreement should provide the necessary oversight of the Operator by the ACCESS funds.

2.3 Operator procurement update - Progress with procurement and the contract term is now "a period of 5 years with an option to extend for a further period(s) of up to 2 years." The procurement sub-group came to the conclusion that switching to a built / owned operator in a shorter timescale was unrealistic and there is a risk that the option to do so could result in less competitive bps pricing because bidders would price to recoup set up costs over a shorter period. This update has been shared with the Pension Committee Chair.

3. LGPS Code of Transparency - the Code

3.1 The Local Government Pension Scheme (LGPS) Advisory Board views the move toward investment cost transparency and consistency as an important factor in the LGPS being perceived as a value-led and innovative pension scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and is included in the government's investment reform guidance and criteria for LGPS pooling.

3.2 The Code is a voluntary code and covers the provision of transparent and consistent investment cost and fee information between Investment Managers and Administering Authorities. An Investment Manager may sign up to the Code in writing in the form agreed by the Board. By doing so the Investment Manager is demonstrating its commitment to the transparent reporting of LGPS investment costs and fees to administering authorities.

3.3 The Board agrees that when an Investment Manager signs up to the Code in the agreed form it will, as soon as reasonably practicable, list the Investment Manager on its website and allow the Investment Manager to use the Code's logo on its marketing literature in accordance with the Code Logo Use and Guidance,



3.4 An Investment Manager will be permitted to use the Code logo on a non-exclusive basis to communicate their compliance with the Code. The Code logo will convey to stakeholders that the Investment Manager is compliant with the Code and committed to the transparent reporting of LGPS investment costs and fees.

4. Pension Board Agenda – August 2017

4.1 The draft agenda for the August 2017 Pension Board meeting include the following-

- Key member and employer communications
- Governance Compliance Statement
- Statement of investment principles
- Review on the investment strategy and Manager benchmarking
- Investment/Admin Consultant Performance
- Review on fee arrangements.

5. Conclusion and reasons for recommendations

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

KEVIN FOSTER
Chief Operating Officer

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Report to: Pension Board

Date of meeting: 26 June 2017

By: Chief Operating Officer

Title: Work programme

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

RECOMMENDATIONS – The Board is recommended to consider and 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 ESG training session on 13th June 2017, the next joint training session is scheduled to take place in September 2017.

5. Conclusion and reasons for recommendations

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

KEVIN FOSTER

Chief Operating Officer

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EAST SUSSEX PENSION FUND

PENSION COMMITTEE/BOARD FORWARD PLAN 2017-18

June 2017

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Business Plan

1 Introduction

- 1.1 Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 71,000 individuals employed by 130 different organisations. Underpinning everything we do is a commitment to putting our members first, demonstrating adherence to good practices in all areas of our business and controlling costs to ensure we provide outstanding value for money.
- 1.2 This Business Plan (BP) provides an overview of the Fund's key objectives for 2017/18. The key high level objectives of the fund are summarised as:
- Optimise Fund returns consistent with a prudent level of risk
 - Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
 - Ensure the suitability of assets in relation to the needs of the Fund.
- 1.3 A bespoke training strategy and plan for this administration was added to the BP after agreement by Members at the Pension Committee in July.
- 1.4 The governance of the Fund is the responsibility of the Chief Finance Officer for the East Sussex County Council, the East Sussex Pension Committee, and the Pension Board. The day to day management of the Fund is delegated to Officers with specific responsibility delegated to the Head of Accounts and Pensions. He is supported in this role by the Pensions Strategy and Governance Manager, and the Finance Manager (Pension Fund Investment).
- 1.5 The Pensions Committee aims to ensure the maximising of investment returns over the long term within an acceptable level of risk. Performance is monitored by asset performance being compared with their strategic benchmarks. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance with the Fund Managers.

2. KEY DOCUMENTS TO BE CONSIDERED BY THE PENSION BOARD

- 2.1 There are a number of key policy and strategy documents (Appendix 1) which the Local Government Pension Scheme (LGPS) Regulations require to be kept under regular review. These are listed below:

2.2 Annual Report

This report sets out the Pension Fund activities for the previous financial year. The Council is required to publish the report by December of each year to accompany an audited financial statement. Within the Annual Report are the following documents: Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement, Communications Policy and Pension Fund accounts.

2.3 **Funding Strategy Statement**

This sets out the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies the key risks and controls facing the Fund and includes details of employer contribution rates following the Fund's triennial valuation.

2.4 **Statement of Investment Principles (SIP)**

This document identifies the investment responsibilities of the various parties involved. For example, Pension Committee, Pension Board Officers, Investment Managers, Custodian, and Investment Advisors. It also details the Fund's investment policies and asset allocation approach as well as its compliance with the six Myners' investment principles. These six principles cover:

- Effective Decision Making;
- Clear Objectives;
- Risk and Liabilities;
- Performance Assessment;
- Responsible Ownership; and
- Transparency and Reporting.

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

2.5 **Communications Policy**

This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers and methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity.

2.6 **Governance Compliance Statement**

This is a written statement setting out the administering authority's compliance with good practice governance principles. These principles are grouped within eight categories and are listed within the statement. The Fund's compliance against each of these principles is also detailed, including evidence of compliance and, if appropriate, reasons if there is not full compliance.

2.7 **Valuation Reports**

The Fund's actuary reviews and amends employer contribution rates every 3 years. The last actuarial valuation was based on Fund membership as at 31 March 2016.

2.8 **Administration Strategy**

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

2.9 **Employers' Discretions Policy**

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

2.10 **Myners Compliance Statement**

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

1. PENSION BOARD – FORWARD/BUSINESS PLAN

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

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East Sussex Pension Fund

PENSION BOARD FORWARD/BUSINESS PLAN											
Date Item	November 2016	February 2017	June 2017	August 2017	November 2017	February 2018	May 2018	August 2018	November 2018	February 2019	May 2019
3	Risk register	Funding Strategy Statement	Pension administration statement	Review on the investment strategy and Manager benchmarking	Risk register	Communications policy statement	External Assurance Reports from Third Parties	Review on the investment strategy and Manager benchmarking	Risk register	Communications policy statement	External Assurance Reports from Third Parties
4	Funds Actuarial Valuation Report - Draft	GMP Reconciliation - update	MIFID II - Update	Investment/Admin Consultant Performance	CIPFA Benchmarking	Investment/Admin Consultant Performance	Annual Report	Investment/Admin Consultant Performance	CIPFA Benchmarking	Investment/Admin Consultant Performance	Annual Report
5		Business Operation Systems	Risk register	Review on fee arrangements			Bulk Transfer, Cessations and Admission policies	Review on fee arrangements	Investment/Admin Consultant Performance		Bulk Transfer, Cessations and Admission policies
6		Pension Board Insurance	Local Pension Survey – SAB/LGA								

2. PENSION COMMITTEE – FORWARD/BUSINESS PLAN

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

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

**3. PENSION COMMITTEE
FORWARD PLAN – Investment Strategy Day**

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

East Sussex Pension Fund (ESPF)

Pension Board and Committee Training Strategy

1. Introduction - Target audience

1.1 Pensions Committee:

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

1.2 Pension Board:

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

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

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

To achieve these objectives:-

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

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

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

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

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

And have knowledge and understanding of:

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

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

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

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

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

1.5 The Knowledge and Skills Framework

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

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

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

1.6 Scheme Employers now have a greater need –

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

1.7 Application of the training strategy

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

1.8 Purpose of training

The purpose of training is to:

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

1.9 Summary

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

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

2. Delivery of Training

2.1 Training plans

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

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

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

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

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

2.2 Training resources

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

2.3 Appropriate Training

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

2.4 Flexibility

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

2.5 E-Learning

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

3. Training deliverables

3.1 Suitable Events

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

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

3.2 Training methods

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

For Pension Committee and Pension Board Members	For Officers
<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							COMPLETION TARGET DATE
	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)	
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	

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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	

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

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Longevity experience	18 July 2016	
TPR's Public Sector Online Toolkit (7 modules)		
Conflicts of Interest		
Managing Risk and Internal Control		
Maintaining Accurate Records		
Maintaining Member Contributions		
Providing Information to Members and Others		
Resolving Internal Disputes		
Reporting Breaches of the Law		
TPR Code of Practice no. 14		
Governing Your Scheme		
Managing Risks		
Administration		
Resolving Issues		
Pensions Legislation		
The Legislative Framework for Pensions in the UK		
LGPS Regulations and Statutory Guidance		
LGPS Discretions		
Other Legislation		

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

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Understanding Risk and Return of Fund Assets		
Understanding the Financial Markets		
LGPS (Management and Investment of Funds) Regulations		
HMRC and Overseas Taxation		
Procurement and Relationship Management		
Public Procurement Policy and Procedures		
Brief Overview of UK and EU Procurement Legislation		
How the Pension Fund Monitors and Manages its Outsourced Providers		
Additional Training		
LGPS discretions & policies		
Safeguarding the Fund's Assets		
Developing Investment Strategies Statement		
Role of the Global Custodian – Northern Trust		
Pensions legislative & Governance		

AVAILABLE TRAINING AND CONFERENCES 2017 – 2018

Date	Conference/Event	Run By	Delegates/Cost
27 June 2017	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free
28 June 2017	Local Pension Boards 2 years on	CIPFA Pensions Network (CPN)	£150
July 2017	Pension Fund Symposium	Local Government Chronicle (LGC)	TBC
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

East Sussex Pension Fund

Date	Conference/Event	Run By	Delegates/Cost
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	14 June 2016	18 July 2016	26 October 2016	26 January 2017	13 June 2017
Topics	<ul style="list-style-type: none"> • LGPS – Legislative and Governance context; • Conflicts of Interest and Reporting Requirements; • Consideration of the Committee and Pension Board’s responsibilities; • Conflicts of interest • 2016 Triennial Valuation • 	<ul style="list-style-type: none"> • Valuation assumption setting • Consistency of assumptions with investment beliefs • 2016 valuation early warning • Valuation timetable and next steps 	<ul style="list-style-type: none"> • Triennial Valuations and Understanding Liabilities • Roles of the Pension Regulator <p>Pensions legislative & Governance</p>	<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

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