



PENSION BOARD

MONDAY, 10 SEPTEMBER 2018

10.00 AM CC2 - COUNTY HALL, LEWES

MEMBERSHIP - Richard Harbord (Chair)
Councillor Kevin Allen, Angie Embury, Rezia Amin, Sue McHugh,
Diana Pogson and Councillor Brian Redman

AGENDA

- 1 Minutes (*Pages 3 - 10*)
- 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 11 - 14*)
- 6 Hymans Robertson Employer Asset Tracker (*To Follow*)
- 7 Review of Managers Fee arrangements (*Pages 15 - 16*)
- 8 Internal Audit Report - ACCESS Pool (*Pages 17 - 26*)
- 9 2018 Annual Benefit Statement Report (*Pages 27 - 30*)
- 10 Officers' Report - Business Operations (*Pages 31 - 36*)
 - GMP reconciliation
 - Data reporting to the Pensions Regulator
- 11 Officers' Report - General Update (*Pages 37 - 40*)
 - 2019 Actuarial Valuation
- 12 Work programme (*Pages 41 - 72*)
- 13 Any other non-exempt items previously notified under agenda item 4
- 14 Exclusion of the press and public
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

- 15 Local Government Pension Scheme (LGPS) Pooling - ACCESS update (*Pages 73 - 108*)
- 16 Any other exempt items previously notified under agenda item 4

PHILIP BAKER
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31 August 2018

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PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 8 May 2018.

PRESENT Richard Harbord (Chair), Councillor Kevin Allen,
Angie Embury, Rezia Amin, Stephen Osborn and
Councillor Brian Redman

ALSO PRESENT Councillor David Elkin, Lead Member for Resources
Councillor Richard Stogdon, Chair of the Pension Committee
Ian Gutsell, Chief Finance Officer
Ola Owolabi, Head of Pensions
Nigel Chilcott, Audit Manager
Wendy Neller, Pensions Strategy and Governance Manager
Danny Simpson, Principal Auditor
Russell Wood, Principal Pensions Officer
Harvey Winder, Democratic Services Officer

62 MINUTES

62.1 The minutes of the previous meeting were agreed subject to amending paragraph 47.5 to read:

“Angie Embury (AE) suggested that investment in climate aware funds should be a requirement and asked whether that was the case. OO said that it was at the Pension Committee’s discretion whether or not to invest but there were a number of advantages in doing so.”

63 APOLOGIES FOR ABSENCE

63.1 Apologies for absence were received from Diana Pogson and Sue McHugh (substitute: Stephen Osborn).

63.2 The Chair welcomed Rezia Amin as the new employee representative on the Board

64 DISCLOSURE OF INTERESTS

64.1 There were no disclosures of interest.

65 URGENT ITEMS

65.1 There were no urgent items.

66 PENSION COMMITTEE AGENDA

66.1. The Board considered the agenda and reports of the Pension Committee’s next meeting.

66.2. Ola Owolabi (OO), Head of Pensions, informed the Board that the Pension Committee agenda comprised mainly of items being considered by the Board in its own right, which was why there were no Committee items included as appendices of this report.

66.3. The Board RESOLVED to:

1) note the report;

2) request that the Hyman's Robertson Quarterly Performance report and Stock Lending presentation by Northern Trust be circulated to the Board by email.

67 PENSION FUND 2017/18 ANNUAL REPORT

67.1. The Board considered a draft of the Pension Fund 2017/18 Annual Report.

67.2. OO explained that the Annual Report was still in draft form and subject to the receipt of data from the East Sussex Pension Fund's (ESPF) custodian, Northern Trust. He said that the external auditors, KPMG, will audit the Annual Report prior to it being approved by the Pension Committee at its next meeting on 16th July 2018.

67.3. Councillor Richard Stogdon (RS), Chair of the Pension Committee, asked whether the Fund actuary's claim that there is a 66% chance the Fund will be fully funded in 20 years was overly pessimistic considering that the most recent triennial evaluation had concluded that it was nearly at full funding already.

67.4. The Chair said that the funding level can vary depending on how it is calculated, for example, using the Government's actuary's figures would give the ESPF a funding rate of 114%. He also said that the Fund could well be self-funding in 2 years but liabilities could outstrip contributions in the long term so that in 20 years it was no longer self-funding. OO added that the Fund's actuary (Hymans Robertson) is very prudent and different actuaries may give a different funding figure.

67.5. Stephen Osborn (SO) observed that the markets were in the midst of the longest 'bull run' in history and that when it comes to an end there could be a negative impact on the Fund's assets.

67.6. SO asked whether the £3m reduction in investment manager fees from £7.6m in 2017/18 to £4.6m in 2018/19 would be offset by transition costs and other one off fees. OO said that there are some transition costs but taking these into account still results in a net reduction in fees due to ACCESS delivering economies of scale.

67.7. SO asked why some pension funds in ACCESS are looking at longer time periods before receiving savings through pooling. OO explained that some funds have lot more liquid assets that can be pooled immediately and see a reduction in investment manager costs, for example, the movement of ESPF £1.6bn of passive investments to UBS had seen ESPF costs for passive fund managers halved. Those funds with greater illiquid assets such as infrastructure and private equity cannot pool them immediately and so will see less benefit in the short term. OO explained that the cost of investment managers would decrease from £7.6m to £4.6m during 2018/19 as a large part of fees would be paid through ACCESS rather than directly to fund managers, along with transition costs and operator costs.

67.8. SO asked whether the fees deducted by some managers at source (and therefore not included in the £7.6m figure) would be similar following the transfer of those assets to ACCESS. OO said that fees deducted at source tend to be for managers of illiquid assets such as private

equity, as they are not yet transferring into the ACCESS pool the fees deducted at source are expected to stay the same but could change in the future.

67.9. Angie Embury (AE) asked whether there are any employers that are persistently paying pension contributions late. OO said that he would clarify which employers were making late payments.

67.10. The Chair observed that it can be a sensitive and difficult task to reclaim overpaid pensions following the death of a scheme member, but the figure for 2017/18 of £1k of write-off showed that the process was being handled effectively.

67.11. The Chair asked whether investment managers report back to ESPF about voting, governance and engagement activities with companies. OO said that the Fund has always empowered managers to vote in accordance with the Investment Strategy Statement (ISS) and they generally have let the Fund know how they voted. However, it will now be mandatory for them to report back to the Fund and make their voting decisions public.

67.12. The Chair asked whether the fact that investment managers generally vote with companies' management was an issue. OO said that the Local Authority Pension Fund Forum (LAPFF) provides Funds with its viewpoints on proposed votes. The Fund will then forward these viewpoints to investment managers ahead of the vote.

67.13. AE asked for the number of scheme members over the age of 55 who withdrew their pension pot following a change in regulations. OO said that the ability to withdraw a lump sum was initially thought to become popular but most scheme members were advised to consider their options. He thought the number who have done so was zero but would clarify.

67.14. The Chair asked what type of organisations the five new employers who have joined the ESPF were. Wendy Neller (WN), Pension Strategy and Governance Manager, explained that they were either admitted bodies or academies and that none of them have had financial difficulties as far as she was aware.

67.15. The Board RESOLVED to note the report and request the following to be circulated by email:

- 1) a list of employers that were making late payments;
- 2) the number of scheme members who withdrew their pension as a lump sum at 55.

68 DRAFT INTERNAL AUDIT PENSION FUND STRATEGY AND INTERNAL AUDIT REPORTS

68.1. The Board considered a report containing the draft East Sussex Pension Fund Internal Audit Strategy and two recently completed Internal Audit reports on the ESPF.

68.2. Danny Simpson (DS), Principal Auditor, said that the current strategy was three years old and it was felt necessary that a new Internal Audit Strategy for the ESPF needed to be developed that could be applied to the two sovereign organisations in Orbis (East Sussex County Council and Surrey County Council) that are responsible for managing pension funds, subject to the approval of their respective committees. The strategy was currently a draft at the consultation stage. DS said that the main change from the existing strategy was the addition of an audit of the ACCESS pooling process. He said that it was prudent to have this as a separate audit for now but as it became part of business as usual it may be subsumed into the more general governance and investments audit. He confirmed that it was proposed that the other audits would carry on as before.

68.3. The Chair observed that Pensions Regulator requires that pension funds hold 11 common data sets for all scheme members. He said it would be useful for internal audit to carry out an audit of these data sets to confirm whether or not they adhered to the Pensions Regulator's requirements. Nigel Chilcott (NC), Senior Audit Manager, agreed that Internal Audit would look into including regulatory compliance as an area for audit.

68.4. Councillor Brian Redman (BR) asked whether the internal audit team audited the whole of Orbis and how costs were shared between the two sovereign organisations comprising Orbis. NC said that the Internal Audit Strategy would be for the East Sussex Pension Fund (of which Brighton & Hove City Council is a member) and that there would be a very similar, but separate Strategy for Surrey's pension fund.

68.5. Ian Gutsell (IG), Chief Finance Officer explained that there is an integrated internal audit team for Orbis. All members of this team work under the Orbis banner but are employed by their sovereign organisations. It is an integrated service that delivers the internal audit function across the three organisations and has an integrated pooled budget; the team then charges respective individual organisations for their internal audit work. This means that there is no additional cost for any of the three organisations for internal audit compared to if internal audit was provided in-house, and the pooled arrangements in fact deliver some efficiency savings. All three organisations' section 151 officers sign off their respective internal audit strategies.

68.6. BR asked whether there are plans in the future to sell-off Orbis as a business separate from local authority control. IG said there were no plans to do so.

68.7. In introducing the Pension Fund Administration Internal Audit report, NC said that this has received reasonable assurance and that there were no areas of improvement deemed to be high risk. In addition, assurance had been obtained that all required actions from the previous review in this area had been completed by the relevant responsible officers.

68.8. The Chair asked whether Internal Audit checks whether actions have been implemented on an individual basis, or whether they are checked when the next audit is carried out. NC explained that implementation dates for actions for improvement are agreed as part of each audit. For all high priority actions, internal audit will seek confirmation that they have been implemented as part of the ongoing action tracking process. In addition, any audits that receive minimal (and sometimes partial) assurance are subject to a follow-up review in their own right. However, where medium or low priority actions are agreed and the audit opinion is better than partial assurance checks to confirm they have been implemented will be completed as part of the next audit. Failure to implement agreed actions would result in reports to the Pension Board and Audit Committee.

68.9. In relation to the External Control Assurance review which received substantial assurance, the Chair asked whether investment managers are required to provide specific information for this review. NC explained that investment managers are required to obtain and provide external independent assurance on how robust their administrative and accounting control procedures are in accordance with regulations. OO added that some investment managers are also audited by their own internal audit function and all have to report separately to the Financial Conduct Authority (FCA).

68.10. The Board RESOLVED to

1) note the reports; and

2) recommend that internal audit consider an audit of the common data sets provided to the Pensions Regulator

69 2018 ANNUAL BENEFIT STATEMENT EXERCISE - UPDATE

69.1. The Board considered a report on the progress of the planned production of Annual Benefit Statements for 2018 ahead of the 31 August deadline.

69.2. OO said that it is critical that the deadline for completion is not missed as it has been for the past three years. He said that despite one or two outstanding issues the Orbis Business Operations team has indicated confidence in meeting the deadline. Deferred members should receive their statements 2 months before the deadline as they are not dependent on end of year (EOY) returns from employers.

69.3. The Chair asked how many additional EOY returns had been received from employers since the 26 April, particularly since the deadline was 30 April. OO said that he believed the number had gone up.

69.4. The Chair said it was concerning that there were 105 contacts but 134 employers and suggested that employers need to all have a responsible person for ensuring that duties around the EOY returns deadlines are met. OO said that where officers have details of a contact they will chase them and offer to provide them with help.

69.5. IG observed that officers are well aware that the deadline cannot be missed this year and that they are working very hard to ensure they meet requirements. Progress is being made against the Production Plan set out in appendix 1 and that the Board would be updated on progress on a monthly basis until the 31 August deadline.

69.6. RS asked whether there are any concerns about major employers, including East Sussex County Council, providing EOY returns. OO said that there are weekly updates with the Pension team to track missing returns with relevant support from the Governance team. The Chair requested that information on employer EOY returns be provided in the monthly progress updates.

69.7. BR asked whether the ESPF is not already aware of how much employers contribute based on their monthly contributions. WN said that employers are required to provide monthly contributions to the pension scheme on the 19th of each month, but that the final employer contributions are calculated based on the EOY returns, which takes until 31st May.

69.8. The Chair said that the data quality of deferred members can be poor as it is not always easy to keep track of them as they move on to other employment, but it is still a requirement to collect this data.

69.9. The Board RESOLVED to:

1) note the report;

2) request monthly updates on the progress of the annual benefit statement exercise, including confirmation of any outstanding EOY returns from employers.

70 OFFICERS' REPORT - BUSINESS OPERATIONS

70.1. The Board considered a report providing an update on the performance and activities of Orbis Business Operations in relation to the ESPF.

70.2. The Chair asked for clarification as to why the draft Pension Fund Annual Report recorded that three complaints were received but that the Key Performance Indicators (KPIs) here recorded that there were none. OO said that he would seek clarification.

70.3. BR expressed concern that there was no indication of the potential liabilities to the ESPF of GMP reconciliation even though the number of cases where the tolerance was greater than £2 was known, following ITM's previous work. He also questioned why the tender requested bids based on tolerance levels of £1-3 when ITM had already identified the number of cases with a tolerance level of £2. He noted that £500,000 had originally been earmarked for GMP reconciliation but £29,000 had been spent to date. He, along with the Chair, requested assurance that there would not be further expenditure beyond the next stage. The Chair also noted that there would have been considerable internal cost for the project.

70.4. OO said that Business Operations had received assurance from the Procurement team that the contract with JTL would cover the remainder of the GMP process. The contract is on behalf of five pension funds so there is a significant incentive for JTL to deliver the desired results within the deadline. He confirmed that ITM would transfer the data they had produced to date to JTL.

70.5. The Chair asked whether it would have been more economically viable to have procured the GMP Reconciliation process as a single contract rather than breaking it into three stages. OO said that it had not been clear at the start what amount of work would have been required to complete the process, so a single procurement may not have been cost effective.

70.6. The Board RESOLVED:

1) note the report;

2) request a report on GMP reconciliation at the end of the process including the full costs, evaluation of the success of the process, and lessons learned.

71 OFFICERS' REPORT - GENERAL UPDATE

71.1. The Board considered a general update on matters related to the ESPF.

71.2. The Chair asked whether employers had seen a draft of the Memorandum of understanding (MOU) due to be issued by ESPF to its employers as part of the changes brought about by the General Data Protection Regulations (GDPR). He also asked whether all 134 employers would sign up for it in time for the 25 May introduction of GDPR rules.

71.3. WN said that the MOU would be a statement informing employers of the GDPR changes and would not require them to sign it, although it was not yet complete so had not been sent to employers.

71.4. In regards to the Breaches Log, the Chair observed that for Churchill to have not been paying over pension contributions for some of its members appeared to be very concerning. OO agreed that it was definitely a breach of the law. He said that it had involved an administrative error whereby a handful of employees' and employer contributions had been collected by Churchill but not passed on to ESPF. The company had been informed about the breach and that it was to be reported, and were asked to consider ways of improving their payment system to ensure that these errors are picked up in future. He said that the company employs some 200 people so there is a monthly fluctuation in the amount of money coming to the Fund due to people leaving and joining their workforce (which comprised mainly of cleaners).

71.5. Rezia Amin (RA) asked how long this issue had occurred for and whether employees knew. OO said that it had gone on for a few years but that employees had not reported it as

they had not been receiving annual benefit statements setting out their pension contributions. WN said that they would receive statements in the future.

71.6. BR asked why it had not previously been picked up by Orbis Business Operations that employers were not providing these contributions. WN said that Churchill is an admitted body so Business Operations was aware of the individuals who were on the company's payroll, however, monthly payment statements do not include a breakdown so it was not clear that the employee contributions were not included for certain individuals. The breach had not been identified as part of previous EOY returns, which do include breakdowns, due to staff not following up on the procedures in place to identify missing contributions.

71.7. WN said that she was confident that all of the outstanding contributions can be identified and retrieved through the annual reconciliation process.

71.8. RA asked whether there would be any penalties applied to Churchill. WN said that they were considering applying interest to the owed monies.

71.9. RA asked if any of these staff had been TUPE'd to Churchill from East Sussex County Council in the past 2-3 years. OO said that he would produce the relevant figures for circulation.

71.10. RA asked how individual employees had been affected financially. WN confirmed that they would not have been affected as the deductions were made to the employees each month by Churchill but had just not been paid on to the Fund.

71.11. The Board RESOLVED to:

1) note the report;

2) provide figures for the number of employees TUPE'd from the Council to Churchill in recent years.

72 PENSION FUND POLICIES - DISCRETIONARY POLICY STATEMENT, PENSION FUND CESSATION POLICY AND ADMINISTRATION STRATEGY STATEMENT

72.1. The Board considered three recently updated pension fund policies.

72.2. OO confirmed that the Board had seen previous iterations of two of the policies but not the Pension Fund Cessation Policy.

72.3. The Chair requested that in future updated policies include tracked changes so that the Board can see clearly what is being changed.

72.4. BR asked in relation to the Pension Fund Cessation Policy why the new policy replaced previous policies on employer termination from 1 April 2017, i.e., a year ago. WN explained that this back dated from the publication date of the most recent triennial evaluation, which would have effected employer's share of the Fund – the issue that the policy deals with.

72.5. The Chair observed that it could be controversial that employers leaving the fund whilst in surplus would not be entitled to payments but it is correct for the cessation policy to seek payment where the employer was in deficit. OO said that the purpose of the policy is to protect the Fund. Where a leaving employer has a deficit the Fund's actuary would become involved to make sure employers leave the fund amicably. He said that any notification of a cessation would be reported to the Pension Committee for decision as it may involve the transfer of assets or cash out of the Fund.

72.6. The Board RESOLVED to note the report.

73 PENSION FUND RISK REGISTER

73.1. The Board considered the risk register for the ESPF.

73.2. The Chair asked whether risk number 28 around the timeline for an FCA submission was related to ACCESS. OO confirmed that it was and that a couple of emerging issues had delayed the original submission date of 28 April. It was now planned that the FCA submission would be made within the next few weeks.

73.3. The Board RESOLVED to note the report.

74 FORWARD PLAN

74.1. The Board considered its forward plan.

74.2. The Chair encouraged Board members to raise any topics they may wish to be considered at the joint training sessions so that everyone would gain from the sessions.

74.3. The Board RESOLVED to note the report.

75 EXCLUSION OF THE PUBLIC AND PRESS

75.1 The Board agreed to exclude the press and public.

76 LOCAL GOVERNMENT PENSION SCHEME (LGPS) POOLING - ACCESS UPDATE

76.1 The Board considered a report providing an update on the activities undertaken by the ACCESS pool group.

76.2 The Board agreed to exclude the press and public for the duration of this item due to it containing exempt information under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, namely information relating to financial and business affairs of an individual.

76.3 The Board RESOLVED

1) to note the report;

2) to request a report on the governance arrangements for ACCESS once they have been finalised.

The meeting ended at 12.30 pm.

Richard Harbord
Chair

Agenda Item 5

Report to: Pension Board

Date of meeting: 10 September 2018

By: Chief Operating Officer

Title: Pension Committee Agenda

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

RECOMMENDATION

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

1. Background

1.1 The draft agenda for the next Pension Committee meeting is presented to the Pension Board for information.

1.2 If Board members have any specific comments about the agenda 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 next Pension Committee meeting.

KEVIN FOSTER
Chief Operating Officer

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Background Documents
None

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PENSION COMMITTEE

MONDAY, 24 SEPTEMBER 2018

10.00 AM COMMITTEE ROOM, COUNTY HALL, LEWES

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

A G E N D A

- 1 Minutes
- 2 Apologies for absence
- 3 Disclosure of Interests
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
- 5 Pension Board Minutes
- 6 Quarterly Performance Report - Hymans Robertson
 - Review of the Investment Strategy Day Outcome
 - Impact of Hard Brexit
- 7 Fund Performance - Ruffer LLP
- 8 Investment Strategy Statement
- 9 Annual review of the Fund's ESG approach
- 10 Officers' Report - Business Operations
 - Annual Benefit Report
 - GMP reconciliation Report
 - Data Cleansing Report
- 11 Officers' Report – General Update
- 12 Forward Plan
- 13 Any other non-exempt items previously notified under agenda item 4
- 14 Exclusion of the Public and Press To consider excluding the public and press from the meeting for the remaining 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).

- 15 LGPS Pooling ACCESS Update
- 16 Pension Employers- Update
- 17 Any other exempt items previously notified under agenda item 4

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31 August 2018

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Report to: Pension Board

Date: 10 September 2018

By: Chief Finance Officer

Title of report: Review of Managers Fee Arrangements

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

RECOMMENDATION

The Board is recommended to consider and comment on the report

1. Background

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

2. Supporting information

ESPF Investment Manager fees

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

2.2 Over the last five years (Table 1), ESPF has paid £57.3m in fund manager fees; however, the fund value has increased by £1,039.1m over the same period.

Table 1	2013/14	2014/15	2015/16	2016/17	2017/18
Investment Management Fees	£10.6m	£11.5m	£11.7m	£11.8m	£11.7m
Increases in fees	£0.6m	£0.9m	£0.2m	£0.1m	-£0.1m
% Increases in fees	6%	8%	2%	1%	-1%
ESPF Fund Value	£2.5b	£2.7b	£2.8b	£3.3b	£3.4b
Increases in value	£135.2m	£267.0m	£24.9m	£571.0m	£41.0m
% Increases in value	9%	11%	1%	21%	1%

Key: (m – Million; b – Billion)

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

2017/18 Investment Strategy and Manager Fees

2.4 The total cost of investment manager fees in 2017/18 was £11.7m. In addition to the management fees invoiced to the Fund, this figure includes private equity and infrastructure fees which are deducted from the value of the assets. This is a decrease of £0.1m on the £11.8m cost in 2016/17, and may be considered in the context of the increase in the value of the fund during 2017/18, which increased in value by £41.0m.

Approaches to Managers

2.5 The ESPF has recently transferred assets to UBS, the ACCESS appointed passive manager, which will result in an annual saving of £0.673m. The Fund has also during 2017/18 renegotiated fee arrangements with two of its fund managers (Newton and M&G) and this is expected to save the fund £0.175m and £0.076m over the year. Officer's view is that taking into consideration the funds long-term relationship with managers, the best opportunity for negotiation is before a manager is appointed. Officers continue to have ongoing dialogue with other fund managers in relation to ESPF fee arrangements.

Investment Pooling – Fee Rationalisation

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

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

2.8 The first ACCESS ACS sub-fund application was submitted to the Financial Conduct Authority (FCA) for approval on 16 July 2018. The indication is that this sub-fund will generate savings of £1.522m (including savings from tax status of the ACS). The signal is that the eventual savings for the ACCESS Pool will be in line with the projection of £3m annually. Allowing for investment growth of 3-5% per annum, by year 10 this will be equivalent to £40-50m.

3. Conclusion

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

IAN GUTSELL
Chief Finance Officer

Ola Owolabi, Head of Pensions, 01273 482017

Contact Officers:

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Background Documents

None

Report to: Pension Board

Date: 10 September 2018

By: Chief Finance Officer

Title of report: ACCESS Pool – Internal Audit Review

Purpose of report: This report provides the Board with the outcome of the ACCESS Pool Governance and Structure review report for consideration.

RECOMMENDATION -

The Board is recommended to note the Internal Audit report on the ACCESS Pool Governance and Structure.

1. Background

1.1 The Government's intention is to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that pool investments significantly reduce costs while maintaining overall investment performance. One of the criteria is for each pool to have a strong governance and decision making. Therefore the governance structure for the pools should, at the local level, provide authorities with assurance that their investments are being managed appropriately by the pool in line with their stated investment strategy and in the long-term interests of their members. At the pool level, ensuring that risk is adequately assessed and managed, investment implementation decisions are made with a long-term view, and a culture of continuous improvement is adopted should be in place.

1.2 The LGPS Advisory Board recognises that it is for scheme managers within each pool to develop appropriate governance to assure all stakeholders of the transparent and effective implementation of strategy.

1.3 The audit aimed to provide assurance that governance arrangements for the new ACCESS Pension Pool are transparent and that the Council retains input to strategic decisions with regards to the East Sussex Pension Fund (ESPF), particularly in terms of the investment strategy, where different risk appetites across the pool may result in higher risk investments being made, and potential financial loss. This review is part of the agreed Internal Audit Plan for 2018/19.

2. Pension Fund ACCESS Pool 2018/19

2.1 East Sussex County Council (ESCC) has a statutory responsibility to administer and manage the ESPF on behalf of all participating employers in East Sussex. The primary objective is to ensure assets held on behalf of the Pension Fund are managed for the long term benefit of scheme members (in accordance with the rules of the scheme and the regulatory framework), maximising the Fund's growth while minimising investment risk.

2.2 The ESPF has chosen to pool funds with other 10 funds to create the ACCESS pool (a collaboration of central, eastern and southern shires). The ACCESS pool has assets of £41bn with the ESPF representing £3.4bn of these funds.

3. Conclusion and recommendations

3.1 Based on the testing carried out during the audit, the audit (attached as Appendix 1) has provided Substantial Assurance in respect of the Pension Fund ACCESS Pool. The opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

IAN GUTSELL
Chief Finance Officer

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Background Documents:
None

Internal Audit Report

Pension Fund ACCESS Pool

2018/19

FINAL

Assignment Lead: Ben Constable, Senior Auditor

Assignment Manager: Danny Simpson, Principal Auditor

Prepared for: East Sussex County Council

Date: July 2018

Report Distribution List

- Ian Gutsell, Chief Finance Officer
- Ola Owolabi, Head of Pensions
- Wendy Neller, Pension Strategy & Governance Manager

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 Chief Internal Auditor.

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1. Introduction

- 1.1. East Sussex County Council (ESCC) has a statutory responsibility to administer and manage the East Sussex Pension Fund (ESPF) on behalf of all participating employers in East Sussex. The primary objective is to ensure assets held on behalf of the Pension Fund are managed for the long term benefit of scheme members (in accordance with the rules of the scheme and the regulatory framework), maximising the Fund's growth while minimising investment risk.
- 1.2. Recent government reform has called for Local Government Pension Scheme (LGPS) funds to pool their assets in order to:
 - a. achieve the benefits of scale;
 - b. provide strong governance and decision-making (investments should be managed appropriately by the pool with risk adequately assessed and managed);
 - c. reduce costs and improve value for money (pools need to deliver substantial savings in investment fees, both in the near term and over the next 15 years whilst at least maintaining investment performance); and
 - d. improve capacity to invest in infrastructure.
- 1.3. The ESPF has chosen to pool funds with another 11 others to create the ACCESS pool (a collaboration of central, eastern and southern shires). The ACCESS pool has assets of £41bn with the ESPF representing £3.4bn of these funds
- 1.4. The audit aimed to provide assurance that governance arrangements for the new ACCESS Pension Pool are transparent and that the Council retains input to strategic decisions with regards to the East Sussex Pension Fund, particularly in terms of the investment strategy, where different risk appetites across the pool may result in higher risk investments being made, and potential financial loss.
- 1.5. This review is part of the agreed Internal Audit Plan for 2018/19.
- 1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted in the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - Governance arrangements are sufficiently robust to provide effective strategic oversight over the ACCESS pool.
 - The structure of the ACCESS pool provides ESPF sufficient scope to set and meet its own investment strategy.

Internal Audit Report – Pension Fund ACCESS Pool 2018/19

- That the ACCESS pool has been structured effectively; management and monitoring arrangements are in place to provide expected savings and returns; and that ESPF receive their share of expected savings.

3. Audit opinion

- 3.1. **Substantial Assurance** is provided in respect of the **Pension Fund ACCESS Pool**. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

- 4.1. We have been able to provide **Substantial Assurance** over the controls operating in the area under review because:
- 4.2. We have found that the governance arrangements are already in place or are being developed as the ACCESS pool is established. Taking into consideration that the Pool only went live on 1st April 2018, in compliance with the Local Government Pension Scheme: Investment Reform Criteria and Guidance, the governance arrangements (ACCESS Joint Committee) in place appear to be able to offer effective oversight.
- 4.3. Governance arrangements include representation from both members and officers from all participating funds and include the ACCESS Joint Committee with agreed terms of reference to provide oversight of the pool.
- 4.4. The ESPF will be able to exercise some control over its assets' allocation as it will be able to move investments between sub-funds in line with its own investment strategy statement.
- 4.5. An operator has been appointed (the Link Fund Solutions) to appoint investment managers and to manage their performance. The operator's performance will, in turn, be overseen by the Joint Committee.
- 4.6. A formal plan is in place to develop the pool, and progress against this plan is regularly monitored.
- 4.7. At this early stage the structure of the pool appears to be effective (e.g. retaining Schemes' ability to move funds within it). Reporting requirements are currently under review and are being developed in liaison with the participating Schemes to capture Funds' requirements.
- 4.8. Whilst some controls have yet to be fully established, we have found that management is aware of these and is working to develop these in line with the development of the pool. These include consideration of local governance arrangements, e.g. amending the terms of reference for the Pension Board and Pension Committee to reflect the ACCESS pool and the appointment of an Operator to fulfil the function of engaging (or dismissing) managers previously carried out by the Pension Committee.
- 4.9. There are no findings in this report.

5. Action Summary

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

6. Acknowledgements

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

Appendix A

Audit Opinions and Definitions

Opinion	Definition
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.

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.

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Report to: Pension Board

Date: 10 September 2018

By: Chief Operating Officer

Title: Pensions Annual Benefit Statement update

Purpose: Provide the Board with oversight of ABS exercise carried out by Business Operations on behalf of the East Sussex Pension Fund.

Recommendation

The Board are recommended to consider and comment on the report.

1 Introduction

1.1 This report has been prepared to inform the Board of the status of the recently completed annual benefit statement exercise. The production of the statements serves to provide scheme members with an overview of their contributions and forecasted benefits at point of retirement. The exercise involves issuing statements to Active members (c 25,000) and Deferred members (c 29,000) across the East Sussex Pension Fund.

2 Statutory compliance

2.1 I am pleased to report that annual benefit statements for active and deferred members have been produced prior to the statutory deadline of 31 August 2018.

2.2 There is one exception, the 32 employees of Gildredge House Free school will not be receiving a statement prior to the deadline due to the employer's failure to provide their end of year return, which remains outstanding at the time of preparing this report.

2.3 Employees of the above employer were written to prior to 31 August to inform them of the position which includes advising that they are able to access their pension benefits via the online portal. This will show information relating to the position at end of March 2017.

2.4 An internal breach report has been issued to the monitoring officer to consider the materiality and if required will inform the pension regulator.

3 Communication

3.1 The Board will recall the introduction of self service in 2017 enabling scheme members to access their personal record of pensions contributions and benefits. This facility also provides the ability to view the annual statement. Since introduction, various campaigns have taken place to encourage online registration such as reference in Newsletters, email receipts and posters in East Sussex County Council & Brighton and Hove City Council buildings.

3.2 To further encourage registration of the online portal and to reduce the volume of paper statements issued this year, 9,920 members who had yet to register but where an email address was held, were sent an email in early July promoting the benefits of the portal.

3.3 By the end of July, a total of 14,430 had registered for online access, compared to 3,300 at the end of August 2017. All of these members were sent an email informing them

their statement was available for viewing on the self serve portal. Any undeliverable emails were noted in the record to receive a paper statement.

The following describes the split of members receiving online invitations and paper statements;

	Date sent	Active members	Deferred members
Online invitation	w/c 23 July	12,130	2,300
Paper statements	w/c 20 August	13,000	19,500
Supressed		0	7,200
TOTAL		25,130	29,000

4. Deferred member records

4.1 As is common across all Local Government Pension Schemes (LGPS), the Administration is responsible for ensuring the data held for members is up to date. This includes addresses where communication would be sent. Inevitably, as members move home and are no longer an employee, difficulty arises for communications such as benefit statements to be issued to the correct address.

4.2 The Administration relies on members advising of a change of address which is not necessarily always achieved through direct communication with the Pensions team. Whilst there are certain methods used to capture changes, most commonly through previous employer notifications, there is a requirement to ensure regular exercises are carried out to validate addresses held.

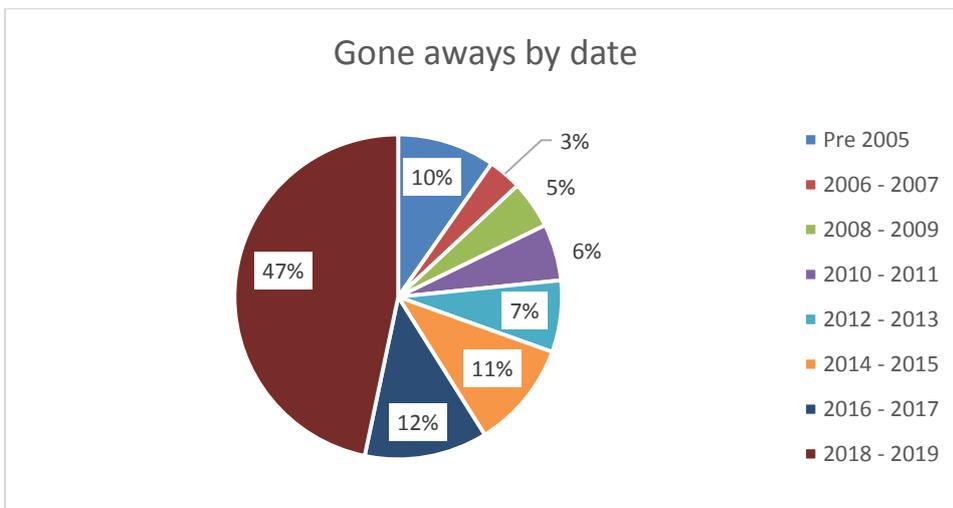
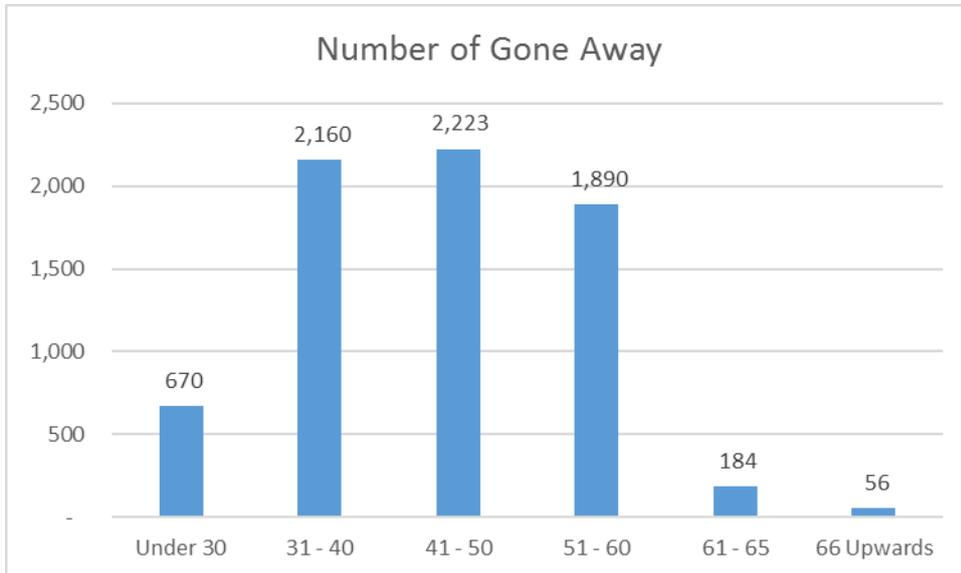
4.3 The production of deferred member statements this year resulted in the suppression of 7,200 records which were recorded as “gone aways.” This represents an increase from 5,000 records last year. The proportion of such records is 25% of the deferred member database. This compares to a range of 3 - 34% of other Authorities who responded to a request to allow us to compare. 6 out of 12 Authorities chose to respond to the request.

4.4 The Board will recall that an exercise was carried out earlier this year to try and reduce the number of records which are in such status from mailing. A third party specialist tracing organisation was commissioned to locate new addresses for such records.

4.5 Whilst the response to the work provide some new addresses, located through a variety of sources such as HM Revenue & Customs, Department of Work Pensions, County Court Judgements etc, the confidence level provided with such new addresses was not regarded as sufficiently high enough to commit to a change of address on the member record prior to issuance of an ABS. In consideration of General Data Protection Regulation (GDPR) and through discussions with the Governance team it was decided to avoid the data protection compliance risk and not use these potential new addresses for the issuance of a benefit statement – a confidential, personal document. Furthermore, as part of this exercise, records where the address held by the search agency and that held within the Pensions Administration team did not match, this record was placed into the gone away status.

4.6 A separate exercise will commence in the next 2-3 months which will involve writing to the new address (no personal information included), inviting the member to view their LGPS pension details by registering to access their record on the self service portal using the necessary personal information required to validate. This in turn will update the status on the member record. The Board will be advised of the progress over the course of future Board meetings.

4.7 The following charts shows the materiality of deferred members where the status is “gone away” in relation to their current age and how long they have been in that status.



4.8 The total liability value of these members, excluding lump sums is £6.8M annual benefit.

Kevin Foster
Chief Operating Officer

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Report to: Pension Board

Date of meeting: 10 September 2018

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:

1. note the update on Administration KPI performance as described in section 2
 2. note the update on GMP reconciliation exercise as described in section 3
 3. recommend that the Pension Committee approve the approach and expenditure described in section 4 relating to data reporting to the Pensions Regulator.
-

1 Introduction

1.1 Business Operations within Orbis have prepared this summary of topical administration activities that may be of interest to the Board. This report is provided for information and the Board is invited to comment.

2 Key Performance Indicators

2.1 **Appendix 1** shows the monthly performance summary for the 6 months leading to July 2018.

2.2 We are pleased to report a positive performance across the core administrative tasks with all measures showing a green status during the May – July period.

3 GMP Reconciliation

3.1 The Board will recall instruction was approved by the Board and Committee to commission specialist firm JLT to carry out the final phases of the GMP reconciliation with HMRC. JLT has been provided with the necessary data pertaining to the remaining 11,500 records which need reconciled. This will enable the Pension Fund to reach a decision on rectification of any genuine under/over payments.

3.2 We are expecting the first report to be provided by JLT in early September and the Board will be provided with a verbal update at the meeting.

3.3 In preparation for the work required to be undertaken within the operational environment, a project manager has been assigned to co-ordinate the activities and decisions required which will include liaison with the Board and Committee chairs and other key stakeholders.

3.4 Commencing in September and through to November, it will be necessary to engage with the Pension Board and Committee outside of the normal cycle of meetings in order to secure decisions based on output analysis which will help meet the deadline.

4 Common and Conditional Data scores

4.1 The Board will be aware that the Administration has an obligation to complete a data scoring exercise as part of the Pensions Regulator's Administration and Governance survey. The survey is due to be issued in September with 6 weeks to complete.

4.2 With respect to the scoring approach, the Local Government Association (LGA) has been considering a standardised approach for local authorities to adopt to ensure consistency. Despite efforts, they concluded in late July that a common approach is neither feasible nor cost effective in the first year. Administering Authorities are therefore being asked to adopt their own approach and encouraged to liaise with their IT software provider and actuarial adviser on how best to meet the survey's requirements.

4.3 Consequently, Orbis has undertaken a multi-scheme approach with Heywoods, leveraging the buying power a larger data user has to specify and negotiate the provision of the reports using their expertise.

4.4 Heywoods will deliver analysis on a range of criteria that considers whether information is regarded as a pass or fail. There is a wide range of potential criteria which could be scored and a realistic approach will be agreed between the Administration and Governance teams.

4.5 The analysis will provide the data that will enable the Administration team to prioritise actions required to improve the data quality held for scheme members.

4.6 As part of cost sharing exercise with other Orbis partners, the cost to East Sussex Pension Fund (ESPF) to participate in the exercise will be £4,000 for a single year agreement or £8,000 for a 3 year commitment, providing the necessary reports in 2018, 2019 and 2020.

4.7 The Board is asked to consider the options and recommend to the Pension Committee to approve expenditure. It is recommended by Business Operations to opt for the 3 year discounted amount.

5 Data Cleanse

5.1 The Board will be aware the next triennial valuation will take place in 2019. The primary purpose of the valuation is to assess the fund employer's assets and liabilities and to set employer contribution rates for the following three years.

5.2 In preparation for the valuation, it is vital that the data held by the scheme Administration is of the highest possible standard in order to reflect the true position for each scheme employer.

5.3 A plan is currently being prepared to carry out and complete the data cleanse which is anticipated to commence in November and complete in January. The exercise described above relating to common and conditional data will assist with improving the overall quality of data held.

5.4 Dedicated resource has been identified and will be in place to co-ordinate the exercise and to ensure the activities required are carried out in a timely manner.

6 Recruitment – Pensions Lead Manager

6.1 We are pleased to advise that an appointment has been made to replace the role of Lead Pensions Manager, vacated by Jason Bailey in April.

6.2 Michael Mann will be joining Orbis on 1st October and will take responsibility for the Administration of all Pension schemes, splitting his time between Lewes and Kingston.

6.3 Michael joins from the People's Pension, a not for profit master trust looking after 3.8 million members. As well as holding the current position of Operations Director (and trustee board member) he is able to demonstrate extensive pensions background previously working in defined member schemes and at the Pensions Regulator.

6.4 During the interim period, Rob Clarke, continues to retain responsibility for the Administration teams.

KEVIN FOSTER
Chief Operating Officer

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East Sussex Pensions Administration - Key Performance Indicators 2018_19

	Activity	Measure	Impact	Target	Feb-18		Mar-18		Apr-18		May-18		Jun-18		Jul-18	
					Volume	Score										
	Scheme members	Pensioners, Active & Deferred			74098		74187		74232		74378		74788		76344	
	New starters set up				317		476		423		413		419		332	
1a	Death notification acknowledged, recorded and documentation sent	within 5 days	M	95%	11	100%	12	100%	13	100%	12	100%	7	100%	13	100%
1b	Award dependent benefits (Death Grants)	within 5 days	H	95%	8	100%	4	100%	3	100%	11	100%	13	100%	12	100%
2a	Retirement notification acknowledged, recorded and documentation sent	within 5 days	M	95%	104	95%	109	89%	81	93%	143	99%	122	97%	127	99%
2b	Payment of lump sum made	within 5 days	H	95%	89	88%	94	97%	123	95%	91	98%	112	96%	109	99%
3	Calculation of spouses benefits	within 5 days	M	90%	28	100%	15	87%	13	92%	20	100%	15	93%	20	95%
4a	Transfers In - Quote (Values)	within 10 days	L	90%	27	96%	43	100%	27	100%	34	100%	13	100%	29	93%
4b	Transfers In - Payments	within 10 days	L	90%	16	100%	25	100%	21	100%	32	97%	17	94%	13	100%
5a	Transfers Out - Quote	within 25 days	L	90%	29	97%	25	100%	18	100%	37	97%	26	100%	15	100%
5b	Transfers Out - Payments	within 25 days	L	90%	7	100%	9	100%	9	100%	7	100%	5	100%	6	100%
6a	Employer estimates provided	within 7 days	M	95%	53	89%	51	96%	121	93%	41	100%	53	96%	26	96%
6b	Employee projections provided	within 10 days	L	95%	31	84%	48	85%	31	100%	49	100%	54	96%	41	95%
7	Refunds	within 10 days	L	95%	37	100%	56	100%	32	100%	49	98%	60	100%	38	97%
8	Deferred benefit notifications	within 25 days	L	95%	129	99%	179	100%	138	100%	168	98%	185	100%	196	100%
9	Complaints received- Admin Complaints received- Regulatory					0		0		3		1		0		0
10	Employer survey satisfaction	Overall satisfaction (V Satisfied/satisfied)		90%												
11	Retiring Member survey satisfaction	Overall satisfaction (Excellent/good)		90%												
12	Compliments received					28		31		5		4		1		2

OVERDUE CASES RED-AMBER		FEB	MAR	APR	MAY	MAY	MAY
2a	Retirement notification acknowledged, recorded and documentation sent		12 Cases Overdue by avge of 6 days. Longest Overdue 22 Days	6 Cases overdue by avge of 4 days. Longest overdue 8 days.			
1b	Award dependent benefits (Death Grants)						
2b	Payment of lump sum made	11 Cases Overdue by avge of 10 days. Longest Overdue 32 Days					
5b	Transfers Out - Payments						
6a	Employer estimates provided	6 Cases overdue by avge 3 Days. Longest overdue 4 days.		9 Overdue by avge of 6 Days. Longest overdue 15 Days			
6b	Employee projections provided	5 Overdue by avge 5 days. Longest overdue 12 days	7 Overdue by avge 5 days. Longest overdue 12 days				

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Report to: Pension Board

Date: 10 September 2018

By: Head of Pensions

Title of report: General Update

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

RECOMMENDATION

The Board is recommended to note the report

1. Introduction

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

2. 2019 actuarial valuation – preparation

2.1 The East Sussex Pension Fund (ESPF) is subject to an actuarial valuation every three years. The last valuation of the Fund was in 2016 with the next valuation to be undertaken as at 31 March 2019. The basic purpose of the valuation is to assess the Fund's assets and liabilities and calculate the rate of each employer's contribution rate for the three years from April 2020. Work on the 2019 valuation has begun and a detailed valuation timetable (Appendix 1) sets out the dates of the key 2019 valuation deliverables. Discussions with risky employers are ongoing.

3. Exit Credits

3.1 The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 amended the LGPS 2013 Regulations to provide for the payment of an exit credit to an exiting employer where, at the exit date, that employer's assets in the fund exceed the liabilities. The HMRC have recently made the pronouncement that there will be no tax charge on the payment and that there is no requirement for the scheme administrator of the pension scheme (or sub-scheme administrator of the sub scheme) to report the payment to HMRC. The Fund has provided on-going communications regarding the changes within the LGPS (Amendment) Regulations 2018 and will be discussing with the Fund actuary, their approach to the payment of an exit credit. In addition, the Fund will be reviewing the Funding Strategy Statement (FSS), applicable policies and admission agreements to reflect this change.

4. 2018 Employer Forum

4.1 The ESPF Employer Forum is scheduled for 16 November 2018 at the American Express Community Stadium, Falmer. The draft itinerary is currently being finalised and will be shared with the Board in September.

5. Pension Board Agenda – November 2018

5.1 The draft agenda for the November 2018 Pension Board meeting include the following

- Pension Committee Agenda;
- LGPS Pooling – ACCESS Pool Update;
- Discretionary policy statement;
- ESPF Customer Survey results;
- Environmental, Social and Governance (ESG) report considered by the Committee in September;
- Meeting the Training Requirements - Board Members;
- Officers' Report - Business Operations;
- Officers' Report - General Update;
- Work programme; and

- Pension Fund – Risk Register

6. Conclusion and reasons for recommendations

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

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East Sussex Pension Fund: 2019 Valuation

The below table details the main tasks/considerations associated with each individual valuation workstream. The table details two possible approaches:

1. Compliance - the valuation tasks required to comply with the LGPS Regulations; and
2. Best Practice - the valuation tasks that, in our view, represent best practice for a LGPS fund to help achieve the best possible funding outcomes and service for employers.

The table has been prepared in mind to facilitate a discussion with the Fund's Officers and therefore does not attempt to include the full detail for each task. This can be covered in our discussions.

Workstream	Compliance	Best practice
Planning	Agree timetable for delivery of key project milestones	Discuss and agree any pre-valuation work Valuation training for Pensions Committee, LPB, Officers, Employers Agree content to be presented at each Committee meeting ahead of valuation
Data	Submit data for valuation & respond to validation queries Submit new employer data as part of valuation data submission Fund review of employer database	Data cleanse ahead of valuation to resolve data queries Consult with Actuary to identify any significant data issues for the valuation Liaise with Orbis/employers to discuss and highlight data issues Data reporting back to employers Submit all new employer data ahead of valuation Supply cash flow data for HEAT
Valuation assumptions	Assumptions based on Hymans Robertson proposals	Detailed analysis on assumption choices Agree assumptions ahead of calculations & present evidence to Committee
Whole fund calculations	Balance sheet and experience for whole fund Initial results document for discussion SAB & GAD Section 13 KPIs	
Employer results/communications	Employer results spreadsheet Employer forum (all employers)	Early warning reports Employer forums (early warning) e.g. academies briefing day Individual results schedules Employer surgeries (discuss results) & test alternative contribution rates Meetings for 'risky employers' only Employer forum Changes following adoption of HEAT
Funding strategy	Risk based contribution rates for all employers - Single funding target - Generic time horizon - Single risk parameter	Stabilisation for precepting employers - Review eligible employers - long term, secure, stable employers - Test stabilisation parameters for each employer Risk based rates for non-stabilised employers - Target either ongoing or gilts basis (depending on circumstances) - Review recovery period used in funding plan - Different levels of risk to reflect employer strength and risk profile - Understand funding profile & employer covenant - Evidence choice of risk levels Review, investigate, monitor and mitigate potential sources of funding risk - Salary increase strain (review any outstanding employer payments incurred under recharge mechanism) - Early retirement strain (review early retirement factors) - Ill health retirement & DIS strain - Significant changes in employer risk profile & strength - consider formal covenant assessment for larger risks? - Cessation planning (including use of HEAT) - Bond assessments up to date and reflect level of risk
Funding Strategy Statement	Sign off updated Funding Strategy Statement	Review, re-draft Funding Strategy Statement (if required)
Final valuation report	Prepare final valuation report and rates & adjustment certificate	

East Sussex Pension Fund: 2019 Valuation draft Timetable

Month commencing	Tasks - Hymans Robertson	Tasks - East Sussex Pension Fund	Meetings - Hymans & officers (including s.151)	Committee meetings
Jul-18			HEAT demo following strategy day (done)	Strategy Day - valuation overview, HEAT and employer strategies
Aug-18	'Risky employers' analysis and strategy			
Sep-18	Agree scope of compPASS modelling (contributions & investment) \ 'Risky employers' analysis and strategy			Pension Board (10 Sept) and Committee (24 Sept) update
Oct-18	Post ABS data cleansing via Data Portal Discuss results of data cleanse	Provide backdated cashflows from 1 April 2016 onwards for HEAT	Meetings with 'risky employers' (<u>throughout month</u>)	Committee valuation training - Joint PB/PC
Nov-18	Employers Valuation Assumptions Engagement - Forum			2018 Annual Employers Forum – 23rd November 2018
	compPASS modelling	Liaise with Orbis to update data after data cleansing Liaison with employers to discuss issues with data	Review of data cleanse plus HEAT planning meeting - <u>28th November</u>	
Dec-18	Issue compPASS modelling results Set up HEAT system and produce statements	Receive compPASS modelling results	compPASS results meeting with all officers (including s.151) - <u>11th December 2018</u>	
Jan-19		"Spring clean" of employer database		
Feb-19	Employer risk profiling (for contribution rate setting purposes)		Pre-valuation meeting & Officer training (including s.151) plus Employer grouping and investment strategies using HEAT - <u>19 February 2019</u> Employer pre-valuation briefings/training (<u>throughout month</u>)	Pension Board and Pension Committee update
Mar-19				Committee valuation training - Joint PB/PC
Apr-19	Discuss risk bandings & RAG ratings for funding strategy	Submit all outstanding new employer work before the valuation	Agree implementation plan for bespoke employer investment strategies - <u>10th April 2019</u>	
May-19	Carry out assumptions modelling e.g. AOA, salary increase etc.	Discuss assumptions modelling results and confirm valuation assumptions to use		Pension Board and Pension Committee update
Jun-19		Submit triennial valuation data to Hymans via Data Portal		Assumptions and bespoke employer funding and investment strategies
Jul-19	Sign off valuation data	Respond to data queries on 2019 valuation data		
Aug-19	Carry out whole fund calculations	Communicate investment strategy changes to employers		
Sep-19	Issue whole fund valuation results Discuss whole fund valuation results Carry out employer level calculations	Receive whole fund valuation results Discuss whole fund valuation results	Initial results meeting & FSS discussion (including s.151) - <u>10th September 2019</u>	Whole fund and section 13 results
	Discuss employer results Agree funding targets for employers Agree recovery periods Confirm contribution stability mechanism		Employer results meeting (including s.151) - <u>30th October 2019</u>	
Nov-19	Refine employer results Prepare individual results schedules Draft FSS			2019 Annual Employers Forum – xx November 2019
				Employer results and draft FSS
Dec-19	Issue individual results schedules	Issue individual results schedules to employers Issue draft FSS for consultation to employers	Employer forum - <u>3rd December 2019</u> Employer surgeries (<u>throughout month</u>)	
Jan-20	Consultation on employer contribution rates Consultation on FSS		1-to-1 employer meetings to discuss provisional rates (<u>throughout month</u>)	
Feb-20	Finalise employer results Update FSS post consultation	Close FSS consultation		
Mar-20	Issue final valuation report and R&A certificate	Present final FSS to Committee for sign off		Sign-off FSS and note final valuation report

Report to: **Pension Board**

Date: **10 September 2018**

By: **Head of Pensions**

Title of report: **Pension Board/Committee Forward Plan 2018/19**

Purpose of report: **The updated report sets out the Pension Fund Forward plan for 2018-19. The Plan includes key objectives for the Fund, training strategy/plan for the Fund and Member training log.**

RECOMMENDATION – The Board is recommended to note the content of this report.

1. Introduction

1.1 The Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom recommends the forward plan set out formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

2. Report Overview

2.1 This report contain an updated 2018/19 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 2018/19.

3. Pensions Regulator Training Toolkit

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

4. Joint Pension Board and Committee Training Session

4.1 The topics to be covered are detailed within the Pension Board and Committee Forward/Training plan. Following the successful joint training session covering ‘*ACCESS Pool Governance - Pension Committee/Board Roles; Pantheon Global Infrastructure; and Responsible Investment under the LGPS Pooling Agenda*’ on 21st March 2018, the next joint training session is scheduled to take place on 17 October 2018. The proposed topics for the session will be on *Pension Administration - Understanding Best Practice; Interaction with HMRC; ESG; Merits and Dangers of Index Funds.*

5. Conclusion and reasons for recommendations

5.1 The Board is requested to note the Pension Fund Board/Committee Forward Plan 2018/19.

Contact Officers: Ola Owolabi, Head of Pensions, 01273 482017
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EAST SUSSEX PENSION FUND

PENSION COMMITTEE/BOARD FORWARD PLAN 2018-19

September 2018

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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 73,000 individuals employed by 136 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 2018/19. 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.
- 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 Pensions. He is supported in this role by the Pensions Strategy and Governance Manager, and the Pensions Investment Manager.
- 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 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: Investment Strategy Statement, 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 Investment Strategy Statement (ISS)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 were published and came into force on 1 November 2016. This requires the administering authority to have in place an Investment Strategy Statement (ISS), which replaces the current Statement of Investment Principles (SIP).

The ISS is a document that, under the new regulations, replaces and largely replicates, the previous SIP. Authorities are required to prepare and maintain an ISS which documents how the investment strategy for the Fund is determined and implemented. The ISS is required to cover a number of areas, specifically:

- The requirement to invest money across a wide range of investments.
- An assessment of the suitability of particular investments and investment types.
- The maximum percentage authorities deem should be allocated to different asset classes or types of investment, although limits on allocations to any asset class are not prescribed as is currently the case under the 2009 Regulations.
- The authority's attitude to risk, including the measurement and management of risk.
- The authority's approach to investment pooling.
- The authority's policy on social, environmental and corporate governance considerations.
- The authority's policy with regard to stewardship of assets, including the exercise of voting rights

The East Sussex Pension Committee has drawn up the Investment Strategy Statement (ISS) to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the accompanying Guidance on Preparing and Maintaining an Investment Strategy Statement. The Fund consulted its Actuary and Independent Financial Adviser in preparing this statement.

The ISS is subject to periodic review at least every three years and more frequently if there are any developments that impact significantly on the suitability of the ISS currently in place. Investment performance is monitored by the Committee on a quarterly basis and may be used to check whether actual results are in-line with those expected under the ISS.

2.5 **Communications Policy**

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

2.6 **Governance Compliance Statement**

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

2.7 **Valuation Reports**

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

2.8 **Administration Strategy**

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

2.9 **Employers' Discretions Policy**

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

2.10 **Myners Compliance Statement**

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

1. PENSION COMMITTEE – FORWARD/BUSINESS PLAN

PENSION COMMITTEE FORWARD/BUSINESS PLAN					
Date	September 2018	November 2018	February 2019	May 2019	July 2019
Item					
1	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	External Audit and Annual Report Approval
2	Annual review of the Fund’s ESG approach	Option appraisal of services offered by other administration system providers.	Communications policy statement	Discretionary policy statement	Investment Strategy review day
3	Review on the investment strategy and Manager benchmarking	East Sussex Pension Fund: Independent Advisor	Reporting Breaches	External Assurance Reports from Third Parties	
4	Annual Benefit Statement - update/ GMP Reconciliation update/Data Cleansing		Investment Strategy Statement	Cessations and Admission policies	
5			Pension Committee/Board Training Plan		
6					

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Recurring items

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

2. PENSION BOARD – FORWARD/BUSINESS PLAN

PENSION BOARD FORWARD/BUSINESS PLAN				
Date	September 2018	November 2018	February 2019	May 2019
Item				
1	Pension Committee Agenda	Pension Committee Agenda	Pension Committee Agenda	Pension Committee Agenda
2	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update	LGPS Pooling – ACCESS Pool Update
3	Internal Audit Report - ACCESS Pool	ESPF Customer Survey results	Polices of the administering Authority · conflicts of interests · record-keeping/meeting attendance; · data protection and freedom of information	Pension Fund 2018/19 Annual Report
4	Review on fee arrangements	ESG report considered by the Committee in September	Risk register	Draft Internal Audit Pension Fund Strategy and Internal Audit Reports
5	Annual Benefit Statement - update/ GMP Reconciliation update/Data Cleansing	Meeting the Training Requirements - Board Members	Communications policy statement	2019 Annual Benefit Statement Exercise – update
6				Pension Fund Policies – Discretionary Policy Statement, Administration Strategy Statement, and Pension Fund Cessation Policy.

Recurring items

Item	
1	Officers' Report - Business Operations
2	Officers' Report - General Update
3	Forward Plan
4	Pension Fund – Risk Register

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 are 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 2018-2019

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.

TRAINING NEED	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)	
GENERAL TRAINING								
General overview of LGPS - Introduction <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 services provided externally Performance measurement Accounts and audit 		✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓				2,3,4,5	

TRAINING NEED	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)	
regulations <ul style="list-style-type: none"> • 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	

SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS

TRAINING NEED	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)	
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	
Financial Services procurement: <ul style="list-style-type: none"> • Current public procurement policy & procedures • UK & EU procurement 				✓			3,5,6	

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TRAINING NEED	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)	
legislation								
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 Page 60				✓ ✓ ✓	✓		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 the LGPS Understanding of the operations of the fixed income manager Understanding of Alternative asset classes 			✓	✓ ✓	✓		4 1 4 4,5,6	

TRAINING NEED	PROPOSED DELIVERY METHODS						KSF area (s)	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)		
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	
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					✓		1,2,3,4,5,6	

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TRAINING NEED	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)	
<ul style="list-style-type: none"> Fund Manager events and networking 					✓			

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	

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
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 & 21st March 2018	
The administering authority	14 June 2016 & 21st March 2018	
The employers	14 June 2016 & 21st March 2018	
The Committee	14 June 2016 & 21st March 2018	
The LPB	14 June 2016 & 21st March 2018	
S151 officer	14 June 2016 & 21st March 2018	
Conflicts of Interest and Reporting Requirements	14 June 2016	

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Consideration of the Committee and Pension Board's responsibilities in the areas of;	14 June 2016 & 21st March 2018	
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	
Longevity experience	18 July 2016	
TPR's Public Sector Online Toolkit (7 modules)		
Conflicts of Interest		
Managing Risk and Internal Control		
Maintaining Accurate Records		

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Maintaining Member Contributions		
Providing Information to Members and Others		
Resolving Internal Disputes		
Reporting Breaches of the Law		
TPR Code of Practice no. 14		
Governing Your Scheme	26 September 2017	
Managing Risks	26 September 2017	
Administration	26 September 2017	
Resolving Issues	26 September 2017	
Pensions Legislation		
The Legislative Framework for Pensions in the UK	26 January 2017	
LGPS Regulations and Statutory Guidance	26 January 2017	
LGPS Discretions	26 January 2017	
Other Legislation	26 January 2017	
Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Pensions Governance		
Understanding National and Local Governance Structure	21st March 2018	
Knowledge of Pension Fund Stakeholders		22 January 2019
Knowledge of Pension Fund Stakeholder Consultation and		22 January 2019

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Communication		
Governance Policies	21st March 2018	
Pension Administration		
Understanding Best Practice		17 October 2018
Interaction with HMRC		17 October 2018
Additional Voluntary Contributions	3 November 2017	
The Role of the Scheme Employer		
Stewardship Report		
Pensions Accounting and Auditing Standards		
Understanding the Accounts and Audit Regulations		20 March 2019
The Role of Internal and External Audit		20 March 2019
Third Party Contracts		
Investment Performance and Risk Management		
Monitoring Assets and Assessing Long-Term Risk		
Myners Principles of Performance Management		
Awareness of Support Services		
Understanding Risk and Return of Fund Assets	18 July 2016	
Understanding the Financial Markets	3 November 2017	
LGPS (Management and Investment of Funds) Regulations		
HMRC and Overseas Taxation		
Procurement and Relationship Management		

Member/Representative Name:		
Subject/Description of training	Date completed	Suggested Further Action?
Public Procurement Policy and Procedures		
Brief Overview of UK and EU Procurement Legislation		
How the Pension Fund Monitors and Manages its Outsourced Providers	13 June 2017	
Additional Training		
LGPS discretions & policies	26 January 2017	
Safeguarding the Fund's Assets	26 January 2017	
Developing Investment Strategies Statement	26 January 2017	
Role of the Global Custodian – Northern Trust	26 January 2017	
Pensions legislative & Governance	26 October 2016	
Environmental, Social and Governance (ESG)	13 June 2017	
The role of the Board/Committee within the ACCESS LGPS Pool;	26 September 2017	
Updates from the Pension Fund Regulator.	26 September 2017	
ACCESS Pool Governance - Pension Committee/Board Roles	21st March 2018	
Pantheon Global Infrastructure	21st March 2018	
Responsible Investment under the LGPS Pooling Agenda.	21st March 2018	

AVAILABLE TRAINING AND CONFERENCES 2018 – 2019

East Sussex Pension Fund

Date	Conference/Event	Run By	Delegates/Cost	
26 September 2018	Introduction to the LGPS	CIPFA Pensions Network	Subscription	
3 October 2018	Annual Local Government Pension Investment Forum	Informa	Free	
10 October 2018	LGPS Governance Training Fundamental – Day 1	Local Government Pensions Committee (LGPC) - LGA	£260	
12 October 2018	Schroders Trustee Training 2018 – Part 1	Schroders	Free	
30 October 2018	LGPS Governance Training Fundamental – Day 2	Local Government Pensions Committee (LGPC) - LGA	£260	
2 November 2018	Schroders Trustee Training 2018 – Part 2	Schroders	Free	
4 December 2018	LGPS Governance Training Fundamental – Day 3	Local Government Pensions Committee (LGPC) - LGA	£260	
Page 68	Investment Summit	Local Government Chronicle (LGC)	TBC	
	Annual Local Government Pension Investment Forum	Informal	TBC	
	Local Authority Forum	Pension and Lifetime Savings Association (PLSA)	Free	
	LAPFF Annual Conference	Local Authority Pension Fund Forum (LAPFF)	Free	
	LAPFF AGM And Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free	
	On-Line Training			

East Sussex Pension Fund

Date	Conference/Event	Run By	Delegates/Cost
www.thepensionsregulator.gov.uk	Pension Education Portal	Pensions Regulator	Free on-line
http://www.lgpsregs.org/	LGPS Regulations and Guidance	LGPS Regulations and Guidance	Free on-line
http://www.lgps2014.org/	LGPS 2014 members website	LGPS 2014 website	Free on-line
www.local.gov.uk	LGA website	Local Government Association	Free on-line

Members Training - Forward Plan

JOINT PENSION COMMITTEE AND PENSION BOARD - FORWARD PLAN					
Date	17 October 2018	22 January 2019	20 March 2019	12 June 2019	25 September 2019
Topics	<ul style="list-style-type: none"> • Pension Administration – Understanding Best Practice and • Interaction with HMRC. • Merits and Dangers of Index Funds • ESG 	<ul style="list-style-type: none"> • Knowledge of Pension Fund Stakeholders • Pension Fund Consultation and Communication • ACCESS Pool Governance 	<ul style="list-style-type: none"> • Pensions Accounting and Auditing Standards • Understanding the Accounts and Audit Regulations • The Role of Internal and External Audit 	<ul style="list-style-type: none"> • Investment Performance and Risk Management • Pension Fund Governance; • Environmental, Social and Governance (ESG). 	<ul style="list-style-type: none"> • Updates from the Pension Fund Regulator. • Fund Assets - Carbon Footprint Measurement;

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

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