



PENSION COMMITTEE

MONDAY, 24 SEPTEMBER 2018

10.00 am COMMITTEE ROOM - COUNTY HALL, LEWES

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

A G E N D A

- 1 Minutes (*Pages 3 - 4*)
- 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 (*Pages 5 - 12*)
- 6 Quarterly Performance Report - Hymans Robertson (*Pages 13 - 32*)
 - Review of the Investment Strategy Day Outcome
- 7 Fund Performance - Ruffer LLP
- 8 Investment Strategy Statement (ISS) (*Pages 33 - 52*)
- 9 Annual review of the Fund's Environmental, Social and Corporate Governance (ESG) approach (*Pages 53 - 54*)
- 10 Pensions Annual Benefit Statement 2018 update (*Pages 55 - 58*)
- 11 Officers' Report - Business Operations (*Pages 59 - 64*)
- 12 Hymans Robertson Employer Asset Tracker (*Pages 65 - 72*)
- 13 Officers' Report - General Update (*Pages 73 - 74*)
- 14 Forward Plan (*Pages 75 - 106*)
- 15 Any other non-exempt items previously notified under agenda item 4
- 16 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).

- 17 Local Government Pension Scheme (LGPS) Pooling - ACCESS update (*Pages 107 - 134*)
- 18 Pension Employers - Update (*Pages 135 - 144*)
- 19 Any other exempt items previously notified under agenda item 4

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

14 September 2018

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

Agenda Item 1

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at County Hall, Lewes on 16 July 2018.

PRESENT Councillors Richard Stogdon (Chair) Councillors Simon Elford and Gerard Fox

ALSO PRESENT

Councillor David Elkin, Lead Member for Resources
Richard Harbord, Independent Chair of the Pension Board
Ian Gutsell, Chief Finance Officer
Ola Owolabi, Head of Accounts and Pensions
Wendy Neller, Pensions Strategy and Governance Manager
Russell Wood, Principal Pensions Officer
William Marshall, Hymans Robertson
Paul Potter, Hymans Robertson
William Bourne, Independent Adviser
Harvey Winder, Democratic Services Officer

17 MINUTES

17.1 The minutes of the meeting held on 15 June 2018 were agreed as a correct record.

18 APOLOGIES FOR ABSENCE

18.1 Apologies for absence were received from Cllr Stuart Earl and Cllr David Tutt.

19 DISCLOSURE OF INTERESTS

19.1 There were no declarations of interest.

20 URGENT ITEMS

20.1 There were no urgent items.

21 INDEPENDENT AUDITOR'S (KPMG) REPORT TO THOSE CHARGED WITH
GOVERNANCE AND ANNUAL REPORT 2017/18

21.1 The Committee considered a report produced by the Independent Auditor (KPMG) to those charged with governance on the Pension Fund Annual Report 2017/18, including the anticipated unqualified audit opinion on the 2017/18 Pension Fund Annual Report.

21.2 The Committee RESOLVED to:

1) Note the Independent Auditor's (KPMG) report to those charged with governance on Pension Fund Annual Report 2017/18;

(2) Approve the Pension Fund Annual Report 2017/18 for publication; and

3) request a report by Northern Trust on Level 2 and Level 3 Investments at a future meeting.

22 EXCLUSION OF THE PUBLIC AND PRESS

22.1 The Committee RESOLVED to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

23 VOTING GUIDELINES FOR INVESTMENT MANAGERS OF ACCESS LOCAL GOVERNMENT PENSION SCHEME

23.1 The Committee considered a report providing an update on the activities undertaken by the ACCESS Pool.

23.2 The Committee RESOLVED to:

- 1) Note the progress made by the ACCESS Pool; and
- 2) Agree the Voting Policy for Investment Managers of ACCESS Local Government Pension Scheme (LGPS).

The meeting ended at 10.25 am.

Councillor Richard Stogdon
Chair

PENSION BOARD

MINUTES of a meeting of the Pension Board held at County Hall, Lewes on 10 September 2018.

PRESENT

Richard Harbord (Chair) Councillor Kevin Allen,
Angie Embury, Sue McHugh, Diana Pogson 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 Accounts and Pensions
Brian Smith, Head of Business Operations
Wendy Neller, Pensions Strategy and Governance Manager
Richard Warden, Fund Actuary
Danny Simpson, Principal Auditor
Russell Wood, Principal Pensions Officer

1 MINUTES

- 1.1 The Board agreed the minutes as a correct record of the meeting held on 8 May 2018.

2 APOLOGIES FOR ABSENCE

- 2.1 Apologies for absence were received from Rezia Amin.

3 DISCLOSURE OF INTERESTS

- 3.1 There were no disclosures of interest.

4 URGENT ITEMS

- 4.1 There were no urgent items.

5 PENSION COMMITTEE AGENDA

- 5.1 The Board considered the draft agenda of the Pension Committee's next meeting.

5.2 Ola Owolabi (OO), Head of Pensions, informed the Board that the Pension Committee reports not yet available for the Board's meeting would be circulated by email to Board members ahead of the Pension Committee meeting on 24 September. The Chair, Richard Harbord, encouraged the Board members to comment on these reports.

- 5.3 The Board RESOLVED to note the report.

6 HYMANS ROBERTSON EMPLOYER ASSET TRACKER

6.1. The Board considered a presentation by Richard Warden (RW), the Fund's Actuary, about an employer asset tracker programme called HEAT.

6.2. Angie Embury (AE) asked whether HEAT was a reliable piece of software. RW confirmed that it was well developed and reliable and has been used successfully by Local Government Pension Schemes (LGPS) in Manchester, Lothian and Cheshire for several years. OO added that four of the administering authorities in the ACCESS pool including East Sussex – were considering purchasing it.

6.3. Councillor Brian Redman (BR) asked whether the ability of HEAT to create bespoke employer investment strategies and monthly employer asset reports would be used for all 140 employers in the East Sussex Pension Fund (ESPF) and whether this would be difficult to manage. OO said that HEAT would help to map out a bespoke investment strategy for an employer known to be financially risky to the Fund and that the monthly reports would then help to manage the performance of that employer, which would be very difficult to do without the up-to-date account information HEAT provides. This approach, however, would not need to be applied to all 140 employers and most would adopt the Fund's main investment strategy and receive asset reports at most quarterly. RW added that most funds have no more than three investment strategies for employers. These include the main fund; a sub-fund for cash flow negative employers that contains more income generating assets; and a sub-fund for more financially insecure employers that emphasises protective assets such as bonds.

6.4. Sue McHugh (SM) asked whether the employer asset reports could help map out an employer's potential future contribution rates to the ESPF. RW confirmed that HEAT would help to provide this information. Wendy Neller (WN), Pensions Strategy and Governance Manager, added that HEAT can assist in the provision of information for employers, with free and timely funding reports that provide valuations of assets, liabilities etc. that previously could only be provided by costly actuarial reports.

6.5. AE asked whether HEAT will help to identify employers that are making late monthly contributions. WN explained that there is already a policy in place where if an employer does not pay its contributions on the 19th of the following month ESPF will write to the employer reminding it of the need to pay and the risk of fines if it does not, but HEAT will complement this process.

6.6. Diana Pogson (DP) asked whether significant changes will need to be made to the pension administration teams or the data they collect to implement HEAT. WN confirmed that this would not be the case. OO added that the presentation would not have been brought to the Board for consideration if officers did not feel assured that the system could be implemented.

6.7. BR asked whether it was feasible to manage difficult employers if they are entitled to be in the fund regardless. RW agreed that – in the main – scheduled bodies cannot be removed from the ESPF but would hopefully see the benefit of a bespoke investment strategy; on the other hand the fund has significantly more control over admitted bodies.

6.8. The Chair asked whether employers with an alternate investment strategy had ring-fenced assets. RW confirmed that HEAT can either notionally ring-fence ESPF assets to particular sub-funds or can specifically allocate assets to particular employers. DP observed that it would depend on the risk the employer posed to the Fund whether it was worth physically separating its assets.

6.9. The Board agreed that the fee of £15 per employer per month for HEAT was not insignificant (amounting to around £25,000 per year) so recommended that officers were first of all clear how the system would be implemented, and clear of the benefits the system would bring to themselves and to employers.

6.10. The Board RESOLVED to note the report.

7 REVIEW OF MANAGERS FEE ARRANGEMENTS

7.1. The Board considered a report on the current fee levels paid by East Sussex Pension Fund (ESPF) to investment managers.

7.2. AE asked why the ESPF increased in value by 21% in 16/17 but only 1% in 17/18. OO explained that this was a reflection of the exceptional performance of the equities markets during that year.

7.3. The Chair welcomed the reduction of £0.1m in investment manager fees from 16/17 to 17/18 but said it was a relatively small amount. He suggested that the only time fees can be lowered significantly is when investment managers are first appointed. SM added that more success reducing fees could be had if officers were more candid about proposing to review arrangements with investment managers. OO said that the Fund also considers the long term returns that investment managers are able to provide, not just their investment fees, and had gotten rid of ineffective managers such as Lazards despite offers to reduce fees.

7.4. The Board RESOLVED to note the report.

8 INTERNAL AUDIT REPORT - ACCESS POOL

8.1. The Board considered a report on the outcome of Internal Audit's ACCESS Pool Governance and Structure review.

8.2. BR asked whether Internal Audit was concerned about the apparent lack of clarity of the role of pension boards in the ACCESS governance arrangements. Danny Simpson (DS), Principal Auditor, said that the role of pension boards was not yet wholly clear but is being monitored by Internal Audit. Ian Gutsell (IG), Chief Finance Officer, explained that the ACCESS Section 151 officer group and the ACCESS officer working group were aware of and were developing ways to ensure there was board representation within ACCESS.

8.3. The Chair said that the Board expects regular reports about ACCESS in order to maintain its role of assisting the Pension Committee in managing ESPF assets that have been pooled into ACCESS sub-funds. He said he expected Internal Audit reports on ACCESS would form part of this regular stream of information.

8.4. The Board RESOLVED to note the report.

9 2018 ANNUAL BENEFIT STATEMENT REPORT

9.1. The Board considered a report about the outcome of the Annual Benefit Statement exercise following the statutory deadline for completion of 31 August 2018.

9.2. Brian Smith (BS), Head of Operations, said that Gildredge House Free School had now provided its end of year return allowing for the processing of its employees' annual benefit statements.

9.3. The Chair said that it was regrettable that a breach that effects the administering authority's compliance with regulations had occurred. He was surprised that it seemed sufficient pressure at all levels was not applied to the school to get it to comply, particularly as the school's belated compliance in the last 10 days showed it did have the ability to do so. He expressed disappointment that this incident meant that the ESPF had not achieved 100% compliance with the statutory deadline despite additional effort this year.

9.4. Councillor Richard Stogdon (RS), Chair of the Pension Committee, asked what penalties could be applied to employers that fail to meet the deadline for end of year returns. RW explained that the powers of administering authorities are limited at the moment but the Pensions Regulator is lobbying Government to introduce legislation that would enable administering authorities to penalise employers.

9.5. WN and RW explained that it was clear in legislation that it was the Administering Authorities' responsibility not the employers' responsibility to make sure Annual Benefit Statements are sent out in time. In previous years, with regard to the specific issue with Gildredge House, the Fund has mitigated against the risk of breaching the annual benefit statement deadline by agreeing with the employer before the statutory deadline to issue a joint cover letter to their employees with the reasons as to why the statement has been issued with last year's data, and that an updated statement would be sent once the end of year data had been received and processed. This meant that the Fund did not breach the deadline by failing to send out Annual Benefits Statements to the particular employer who failed to send in an end of year return. BS confirmed that the Gildredge House Free School employees had been contacted prior to the deadline informing them that they could view their previous year's statement online.

9.6. BS explained that since the publication of the Board's report it was discovered that an administrative error had occurred resulting in 2,500 active members not receiving their annual benefit statements. The Business Operations team is now investigating why this error occurred and has reported the breach to the Section 151 officer and Monitoring Officer who will decide whether to report it to the Pensions Regulator. BS added that the issue was being rectified and the employees will receive their annual benefit statements by the end of September.

9.7. The Board members agreed that they were all very disappointed to hear that an admin error had occurred resulting in a failure to meet the statutory deadline despite regular assurance throughout the year that everything had been on course to meet the deadline. The Chair observed that this meant the deadline had now been missed for the fourth year in a row.

9.8. The Chair asked how this error had not been picked up. BS said that Business Operations was analysing why the failure occurred but it appeared to be a new error that has not previously occurred. Business Operations is now putting actions in place to prevent its recurrence and will do its utmost to make sure it does not happen next year.

9.9. RS asked about the identity of other administering authorities that had responded to the request for information about the percentage of their deferred members that have had their records suppressed. BS explained that they had all asked to remain anonymous but he confirmed that they were all county councils and that one is managed by Orbis.

9.10. RS asked why there was such a range in the percentage of suppressed records from 3-34% amongst these administering authorities, and why ESPF was towards the upper end of the

scale (with 25%). BS said that one authority that responded had undertaken a major piece of work to tackle the issue resulting in the reduction of suppressed records to 3%. This was the exception however and the majority had around 15% suppressed records.

9.11. The Chair said that it was surprising that 240 deferred members who were entitled to their pensions had the status of 'gone away' and were not in receipt of it. He asked whether all of the Gone Away deferred members could be identified through data sharing with HM Revenue and Customs (HMRC) which was now possible following recent changes in legislation. BS explained that there was a cost of £6 and a response time of 4 weeks for any data request to HMRC, so it was only being used for gone away members who are approaching retirement age. DP suggested that many of the 240 deferred pensioners not receiving their pension were unlikely to be entitled to significant sums as people were unlikely to forget about significant lengths of service.

9.12. AE asked whether the Pensions Regulator will fine the ESPF for this breach and who would be required to pay the fine. RW confirmed that the administering authority, East Sussex County Council, would be responsible for the fine but would recoup the money from the ESPF administration fund. The Chair observed that whilst the Regulator may be reluctant to use its powers it had fined London Borough of Barnet £1,000 for a breach and would be more inclined to fine East Sussex County Council if it continued to breach its statutory requirements. OO said that the Regulator would consider mitigating factors before issuing a fine such as what the administering authority was doing to prevent future breaches and its transparency in reporting the breach.

9.13. The Board RESOLVED to:

- 1) note the report;
- 2) express regret that the statutory deadline for Annual Benefits Statements had been breached; and
- 3) request a report at the next meeting on the outcome of reporting the breach to the Pensions Regulator.

10 OFFICERS' REPORT - BUSINESS OPERATIONS

10.1. The Board considered a report providing an update on the services provided to the Fund by Orbis Business Operations

10.2. BR expressed concern that the GMP reconciliation process has been ongoing for three years and that elements such as the suitable tolerance levels and the overall liability to the Fund were still unknown to the Board. The Chair said that failure to meet the statutory deadline for GMP reconciliation with HMRC would not be acceptable. BS assured the Board that JLT is well aware of the approaching deadline and is confident it will be met.

10.3. The Chair said that the Heywoods data analysis is necessary to mitigate against the risk of performing poorly on the Pensions Regulator's Administration and Governance survey and is relatively low cost.

10.4. RS asked why the data cleanse ahead of the triennial valuation will not commence until November if the triennial valuation is due to begin in early 2019. BS explained that it cannot commence earlier because it needs to begin after the issuing of the annual benefit statements and the annual allowances, which will not be until November. BS advised that he would send on details to the Governance team of what Business Operations proposed data cleanse will

entail, which is planned to happen during November 2018 to January 2019 for the liaison with the Fund actuary. BS advised that the data cleanse will be undertaken in conjunction with the Governance Team and actuary to ensure that it is done to a standard that is of benefit to the triennial valuation.

10.5. The Board RESOLVED to:

- 1) note the report;
- 2) recommend that the Pension Committee approve the approach and expenditure relating to data reporting to the Pensions Regulator; and
- 3) request that the JLT report on GMP reconciliation is circulated to Board members for comment,

11 OFFICERS' REPORT - GENERAL UPDATE

11.1. The Board considered a general update on matters related to the Board's activity.

11.2. BR asked whether there is a risk that the new right of employers leaving the Fund with assets in excess of liabilities to receive a payment – as brought in by the Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 – could tempt employers to leave and receive a tax free payment. OO said that this could be a potential risk and officers need to consider with the actuary whether a leaving employer would be paid in cash or assets.

11.3. The Board RESOLVED to note the report.

12 WORK PROGRAMME

12.1 The Board considered its work programme

12.2 The Board RESOLVED to note the report.

13 EXCLUSION OF THE PRESS AND PUBLIC

13.1 The Board resolved to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

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

14.2 The Board RESOLVED to note the report

The meeting ended at 12.35 pm.

Richard Harbord
Chair

This page is intentionally left blank

East Sussex Pension Fund

Review of Investment Managers' Performance for Second Quarter of 2018

Page 13



Prepared By:

Paul Potter - Partner

Email: paul.potter@hymans.co.uk

William Marshall - Partner

Email: william.marshall@hymans.co.uk

Ben Fox - Investment Analyst

Email: ben.fox@hymans.co.uk

For and on behalf of Hymans Robertson LLP
September 2018

Contents

	Page
➤ Markets	
Historic Returns for World Market to 30 June 2018	3
Capital Market Outlook	4
➤ Fund Overview	
Summary of mandate absolute performance to 30 June 2018	5
Fund Asset Allocation and Performance	6
➤ Manager Overview	
Summary of Mandates	7
Manager Structure	8
Performance Summary (net of fees)	9
➤ Managers	
UBS Equities	10
Longview - Global Equity	11
Newton - Absolute Return	12
Ruffer - Absolute Return	13
Schroders - Property	14
M&G - Bonds	15
M&G - Bonds - Performance Attribution	16
UBS - Over 5 year IL Gilt	17
➤ Appendices	
Summary of Alternative Funds	18
Performance Summary (gross of fees)	19
Performance Calculation Explanation	20

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

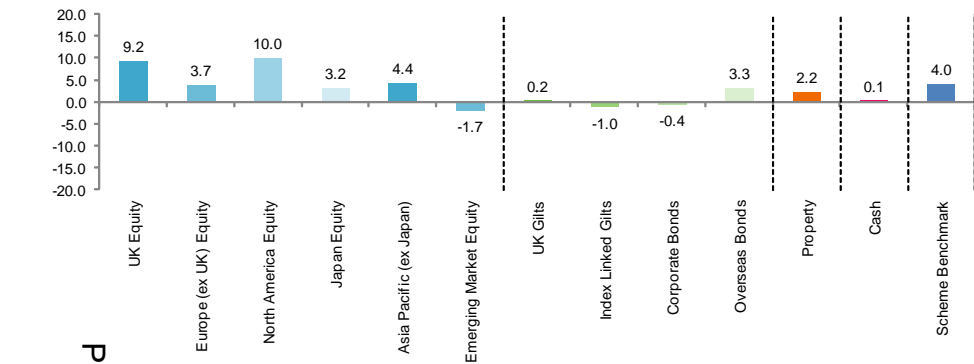
In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Hymans Robertson LLP has relied upon third party sources and all copyright and other rights are reserved by such third party sources as follows: DataStream data: © DataStream; Fund Manager data: Fund Manager; Investment Property Databank Limited data: © and database right Investment Property Databank Limited and its licensors 2018. All rights reserved. IPD has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use or reliance on any of the information which may be attributed to it; Hymans Robertson data: © Hymans Robertson. Whilst every effort has been made to ensure the accuracy of such estimates or data - including third party data - we cannot accept responsibility for any loss arising from their use. © Hymans Robertson LLP 2018

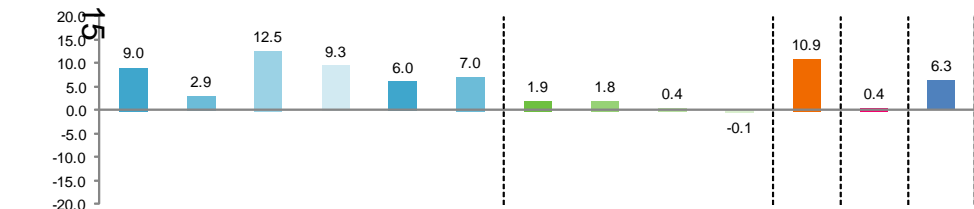
Historic Returns for World Market to 30 June 2018

Historic Returns - Chart 1 ^[1]

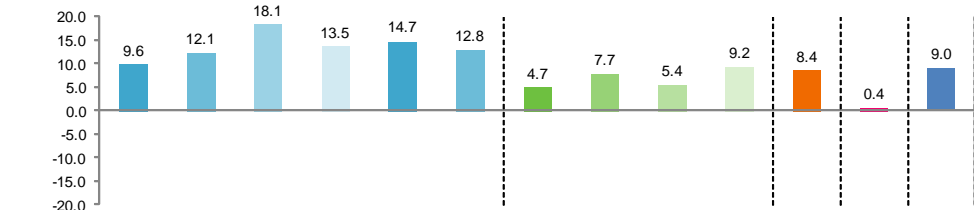
3 Months (%)



12 Months (%)



3 Years (% p.a.)



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

Comment

GDP numbers confirmed that the pace of global growth had slowed in Q1. Subsequent data and survey evidence suggest that expansion remains intact, with the US recovering momentum but the slowdown persisting elsewhere.

The Bank of England pulled back from a rate rise in May, but a split vote in June was then followed by a 0.25% increase to 0.75% in August, the first rate rise in 10 years.

In contrast, higher energy prices drove headline inflation higher in both the US and Eurozone. The rise in underlying inflation was more modest, but no barrier to a further rate rise from the US Federal Reserve or confirmation that the ECB would end its QE programme at the end of 2018.

Long-dated gilt yields, both conventional and index-linked, were little changed over the quarter. A rise at the start of the period, when a possible rate rise and US economic acceleration dictated investor sentiment, was reversed later, as trade tension raised concern about the outlook for growth.

UK credit spreads widened a little over the quarter from historically low levels. This was in line with the pattern in global credit markets.

Oil prices were again strong. Brent crude rose more than 10%, peaking just above \$80 a barrel in May, the highest level since late 2014. A production increase agreed by OPEC in June had little short term effect on prices.

US dollar strength was the main feature of foreign exchange markets. Sterling was the weakest of the major currencies, falling 2% in trade-weighted terms. Dollar strength drove foreign investors to reduce exposure to emerging markets (EM). Local currency debt was particularly hard hit – broad EM debt indices were down around 5% in sterling terms over Q2. EM equities did only a little better. In contrast, developed market equities bounced back from the downturn in Q1. Global indices (including EM) had returned over 5% by mid-June, before falling back a little as trade conflict intensified. Sterling weakness considerably increased returns to UK investors.

Currency was also a factor in the very strong recovery of UK equities, which saw a reversal of the relatively severe setback in Q1. The market generates a substantial proportion of revenue overseas. The strongest sector over Q2 was Oil & Gas as the oil price strengthened. Financials performed worst, as the changing shape of the US yield curve (short rates rising more than long rates) is typically unfavourable for global banks.

The steady advance of UK commercial property continued to conceal significant sector divergence. Capital values are still rising strongly in the Industrial sector, but drifting lower in Retail.

Capital Market Outlook

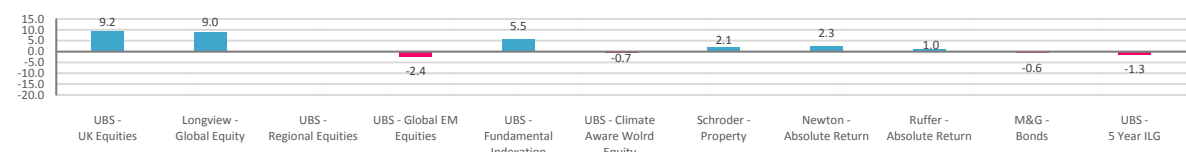
	March 2018	June 2018	Comment
Index-linked gilts	Cautious to Negative	Cautious to Negative	Real yields on long-dated index-linked gilts remain in the tight trading range of the last year. The pressures that keep yields low may well be sustained, but current valuations imply poor returns for long-term investors.
Conventional gilts	Cautious to Negative	Cautious to Negative	Valuations remain unattractive. There appears to be some relative advantage at medium maturities, but expensive at longer maturities. Spreads over LIBOR swaps have continued to reduce as investors seek to exit LIBOR swaps in favour of gilts/SONIA swaps.
Sterling non-government bonds	Cautious	Cautious	Credit spreads are c25bps above the expensive levels of late 2017 but still look stretched relative to history. ABS spread tightening has diminished the relative advantage over corporate bonds.
Equities	Neutral to Cautious	Neutral to Cautious	Synchronised global economic growth has supported equity markets over the past 18 months, but there is growing regional diversification and questions over its sustainability as monetary policy tightens and global trade disputes continue. Following the Q1 market falls, global equity valuations on an unadjusted P/E basis are now only slightly above historic averages.
UK Property	Neutral to Attractive	Neutral to Attractive	Yields are still low by historic levels, but provide a reasonable buffer relative to gilts and corporate bond yields. Investor demand remains strong, although there are perhaps signs that overseas interest has peaked. We have a strategic preference for long lease property given the security of the contractual rental growth, which becomes increasingly attractive as inflation ticks up. Demand remains high, however, the yield discount is as big as it has been over the last ten years.
Infrastructure	Neutral to Attractive	Neutral to Attractive	Demand remains very high and there is evidence that managers may be finding it more difficult to secure deals. Our relatively upbeat view is predicated on added-value implementation in deals with a degree of complexity or where managers have a competitive edge.
Absolute Return Strategies	Neutral	Neutral	We expect absolute return strategies to continue to deliver low single-digit returns. Active currency and interest rate calls may remain challenging given the lack of political predictability. Cash provides flexibility to capture more attractive buying opportunities.



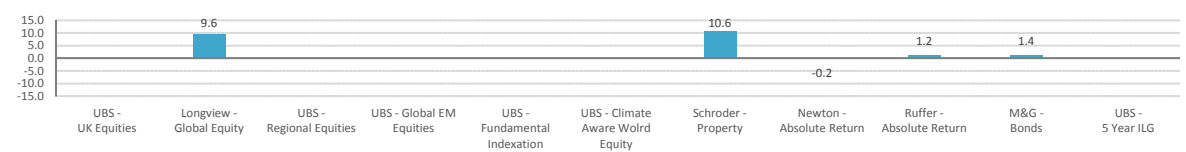
Summary of mandate absolute performance to 30 June 2018

Performance Summary

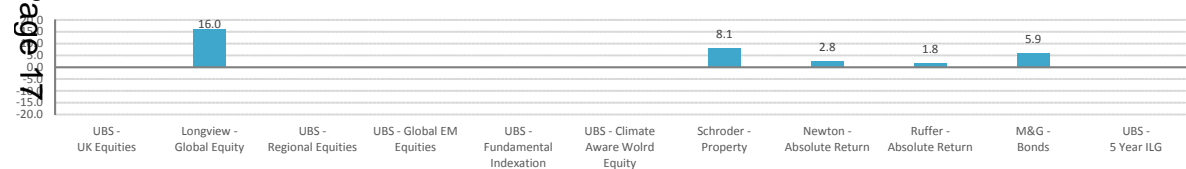
3 Month Absolute Performance (%)



12 Month Absolute Performance (%)



3 Year Absolute Performance (%)



Comments

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

Growth (Equities)

The Fund's equities with UBS were restructured during the quarter, which completed on 12 June 2018. As such, 3-month performance is not yet available, although we note that the previous World Equity Fund returned 8.5% until it was sold. Equities performed strongly over the quarter generally, with the exception of emerging markets, which struggled amidst a rising dollar and concerns over a trade war.

Diversification/Income oriented (Property/Absolute Return)

Equity market gains drove positive performance from the Fund's two absolute return managers. The Schroder property mandate delivered another solid quarter, again driven by performance in the Industrial sector.

Protection (Bonds)

Credit spreads widened slightly over the quarter and so returns on corporate bonds were negative. Relatively flat gilt yields and falling inflation expectations also caused index-linked gilts to fall.



Fund Asset Allocation and Performance

Valuation Summary

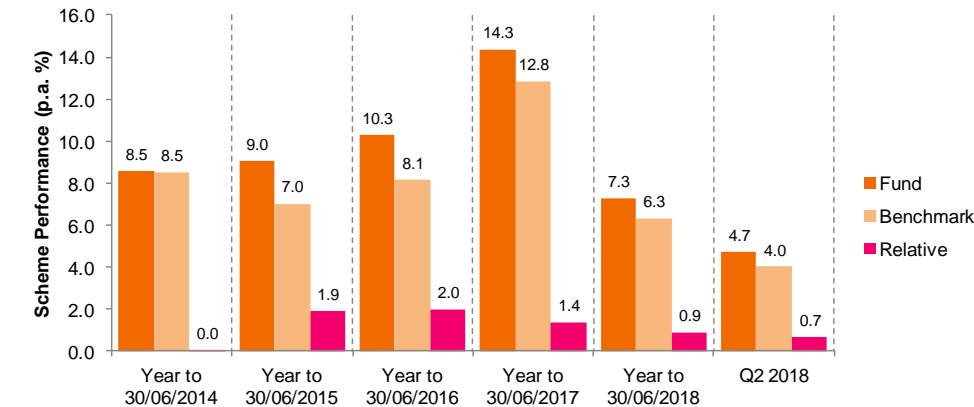
Asset Class	Value (£m)		Actual Proportion %	Target Proportion %	Re-balancing range %	Difference
	Q1 2018	Q2 2018				
Global Equity	1415.5	1457.0	41.1	39.5	45.0 - 55.0	1.6
UK Equity	324.0	390.3	11.0	10.5		0.5
Fixed Interest	132.7	131.6	3.7	3.5	2.5 - 4.5	0.2
Index-Linked Gilts	181.0	193.8	5.5	5.0	4.0 - 6.0	0.5
Property	362.8	367.5	10.4	10.0	7.0 - 13.0	0.4
Infrastructure	19.0	29.5	0.8	2.0	0.0 - 4.0	-1.2
Private Equity	182.8	199.0	5.6	5.5	3.5 - 7.5	0.1
Absolute Return Funds	625.0	636.2	17.9	20.0	17.0 - 23.0	-2.1
Cash	65.6	65.0	1.8	0.0	0.0 - 2.0	1.8
UK Financing Fund	1.0	1.0	0.0	1.0	0.0 - 2.0	-1.0
Absolute Return Bonds	74.6	74.2	2.1	3.0	2.0 - 4.0	-0.9
Total Client	3384.1	3545.1	100.0	100.0		

Fund performance [1]

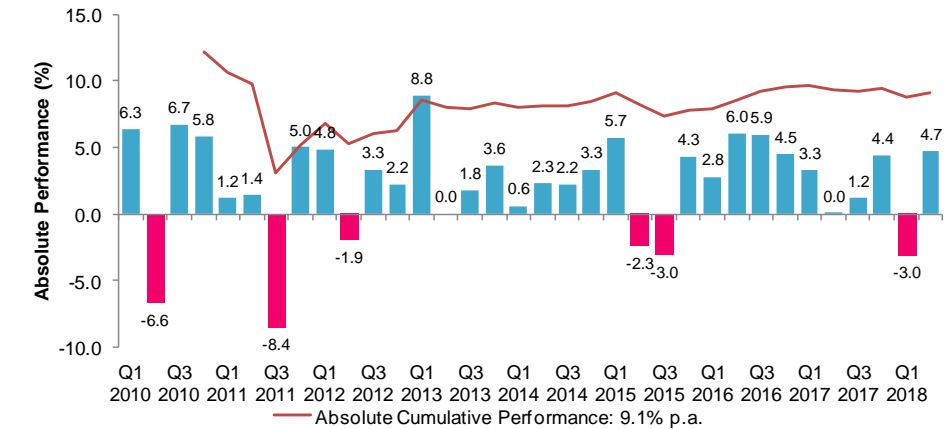
Over the quarter to end June 2018, the Fund returned 4.7%, outperforming the benchmark by 0.7%. Over the longer time periods considered, the Fund has outperformed the aggregate benchmark.

The relative outperformance was driven by the Fund's absolute return mandates and also Longview. Ruffer and Newton both outperformed their cash benchmarks, as equity markets rebounded during the quarter. Longview had another strong quarter to bring performance over all time periods ahead of benchmark.

Performance Summary [i]



Absolute Quarterly and Absolute Cumulative Performance [iii]



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

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



Manager Summary ^[1]

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

Key:- - No Rating - Negative - Suitable - Positive - Preferred

There have been no new developments with managers over the quarter that would result in a change in rating.

During the quarter, UBS restructured the Fund's global equity holdings in line with the benchmark they were provided. This involved selling the World Equity Fund in full as well as a partial sale of the RAFI Fund. The proceeds were transferred into new regional equity funds covering North America, Europe (ex UK), Japan and Asia Pacific (ex Japan); the Fund also invested in the Climate Aware Fund.

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



Manager Structure

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %	
	Q1 2018	Q2 2018				
UBS World Equity Fund	508.3	0.0	0.0	0.0	0.0	
UBS - Regional Equities	0.0	484.6	13.7	11.0		2.7
UBS - Fundamental Indexation	612.0	480.6	13.6	15.0	-1.4	
UBS - UK Equity Fund	324.0	390.3	11.0	10.5		0.5
UBS - Climate Aware World Equity Fund	0.0	164.2	4.6	5.0	-0.4	
UBS - Global EM Equity Fund	59.2	70.8	2.0	1.5		0.5
Longview - Global Equity	236.0	256.8	7.2	7.0		0.2
Newton - Absolute Return	308.5	315.7	8.9	10.0	-1.1	
Ruffer - Absolute Return	316.5	320.5	9.0	10.0	-1.0	
Schroder - Property	362.8	367.5	10.4	10.0		0.4
M&G - Bonds	207.4	205.8	5.8	6.5	-0.7	
UBS - Over 5 year IL Gilt Fund	181.0	193.8	5.5	5.0		0.5
Cash account	65.6	65.0	1.8	0.0		1.8
Harbourvest - Private Equity	86.7	93.9	2.6	2.8	-0.1	
Adams Street - Private Equity	96.1	105.1	3.0	2.8		0.2
UBS - Infrastructure	19.0	20.7	0.6	1.0	-0.4	
Pantheon - Infrastructure	0.0	8.8	0.2	0.0		0.2
M&G - Infrastructure Fund	0.0	0.0	0.0	1.0	-1.0	
M&G - UK Financing Fund	1.0	1.0	0.0	1.0	-1.0	
Total	3384.1	3545.1	100.0	100.0		0.0

Summary Comment

Following the UBS restructuring, the Fund is overweight to global regional equities and correspondingly underweight to RAFI and the Climate Aware Fund. The Fund remains underweight to the absolute return managers.

The Committee has agreed to increase the allocation to infrastructure and private debt to 4% and 3% respectively. The Pantheon infrastructure mandate began drawing down cash during the quarter. The Committee have agreed to fund both allocations from the absolute return mandates.

We will update the Fund's strategic benchmark allocation from next quarter, when further capital is transferred to the private mandates and a decision has also been reached on potential de-risking of the Fund's strategy.

[1] The Fund retains a small cash position to service the commitments made to the private equity portfolio and the infrastructure funds. The benchmark allocation for the regional equity funds is 41.5% North America, 43.5% Europe (ex UK), 7.5% Japan and 7.5% Asia Pacific (ex Japan).

Performance Summary (net of fees)

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

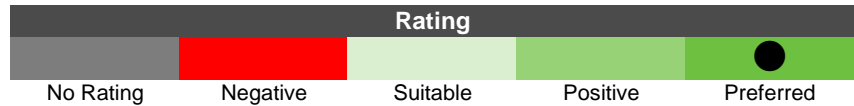
		UBS - Regional Equities	UBS - Fundamental Indexation	UBS - UK Equity Fund	UBS - Climate Aware World Equity Fund	UBS - Global EM Equity Fund	Longview - Global Equity	Newton - Absolute Return	Ruffer - Absolute Return	Schroder - Property	M&G - Bonds	UBS - Over 5 year IL Gilt Fund	Total Fund
3 Months (%)	Absolute Benchmark	N/A N/A	5.5 5.6	9.2 9.2	N/A N/A	-2.4 -2.5	8.8 6.8	2.2 0.1	1.0 0.1	2.0 2.0	-0.7 -0.5	-1.3 -1.2	4.6 4.0
	Relative	N/A			N/A	0.1	1.9	2.0	0.9	0.0		-0.1	0.6
			-0.1	0.0							-0.2		
12 Months (%)	Absolute Benchmark	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	8.9 8.9	-0.9 0.4	0.5 0.4	10.3 9.7	1.0 0.4	N/A N/A	6.9 6.3
	Relative	N/A	N/A	N/A	N/A	N/A	0.0		0.1	0.6	0.7	N/A	0.5
								-1.2					
3 Years (% p.a.)	Absolute Benchmark	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	15.3 14.7	2.2 0.4	1.1 0.4	7.8 7.6	5.5 4.0	N/A N/A	10.2 9.0
	Relative	N/A	N/A	N/A	N/A	N/A	0.5	1.8	0.7	0.2	1.4	N/A	1.1
Since Inception (% p.a.)	Absolute Benchmark	-1.8 -1.8	2.9 3.0	1.2 1.2	-0.7 -0.7	-6.5 -6.6	16.4 12.0 3.9	3.6 0.5 3.1	4.1 0.5 3.5	8.6 8.4	6.8 4.9	4.1 4.1	N/A N/A
	Relative			0.0	0.0	0.1				0.2	1.8		N/A
		0.0	-0.1									0.0	

[1] We have estimated net returns based on each manager's expected fee levels. Total Fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total Fund performance was calculated excluding private market investments. From Q3 2016 to Q3 2017 total Fund performances have been calculated using estimated valuations for private market investments. From Q4 2017 total Fund performance has been provided by Northern Trust.

Source: [i] DataStream, Hymans Robertson

UBS Equities

HR View Comment & Rating



We rate UBS equities at 'Preferred'.

There have been no significant developments over the quarter.

Performance Attribution Comment

During the quarter, UBS restructured the Fund's equity holdings and this completed on 12 June 2018. The Fund now invests in a series of regional indices with UBS, as well as RAFI and a Climate Aware Fund. This is shown in the table on the right.

Since inception, UBS have broadly tracked the relevant index across all of the Fund's investments.

Performance Summary to 30 June 2018 ^[1]

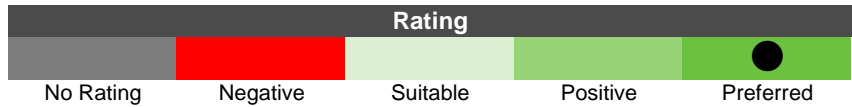
Fund	3 Month (%)	Since Inception (%)
North America	n/a	-1.2
Benchmark	n/a	-1.2
Relative	n/a	0.0
Europe (ex UK)	n/a	-2.1
Benchmark	n/a	-2.0
Relative	n/a	-0.1
Japan	n/a	-2.5
Benchmark	n/a	-2.5
Relative	n/a	0.0
UK	9.2	1.2
Benchmark	9.2	1.2
Relative	0.0	0.0
Asia Pacific	n/a	-3.3
Benchmark	n/a	-3.3
Relative	n/a	0.0
Emerging Markets	-2.4	-6.6
Benchmark	-2.5	-6.6
Relative	0.1	0.0
RAFI	5.5	2.9
Benchmark	5.6	3.0
Relative	-0.1	-0.1
Climate Aware	n/a	-0.7
Benchmark	n/a	-0.7
Relative	n/a	0.0

[1] Since Inception is as follows: North America (12 June 2018), Europe (ex UK) (12 June 2018), Japan (12 June 2018), UK (17 January 2018), Asia Pacific (ex Japan) (12 June 2018), Emerging Markets (21 February 2018), RAFI (7 February 2018), Climate Aware (22 June 2018).

Source: Fund Manager

Longview - Global Equity

HR View Comment & Rating



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

Longview's flexible style and concentrated portfolio has performed exceptionally well over an extended period. Longview's focus on less cyclical companies and sectors has served it well for much of the recent past. The fund retains a significant bias to US equity, with c.80% exposure to US equity (albeit lower when analysed by revenue) and zero exposure to the Far East / Japan. Following the announcement in the first quarter of 2018 that co-founder and co-CEO Ramzi Rishani is to retire at the end of the year, Longview has confirmed that he has reduced his equity stake in the firm from 32% to 20%, as planned.

Performance Attribution Comment

Longview had another strong quarter and performance remains strong over all time periods. Performance since inception has been excellent.

UnitedHealth was one of the largest contributors to Q2 performance. In April the company announced strong first quarter results which exceeded market expectations. Industrial supplier WW Grainger continued to perform well as its price-cutting strategy helped it fight of the perceived threat of Amazon.

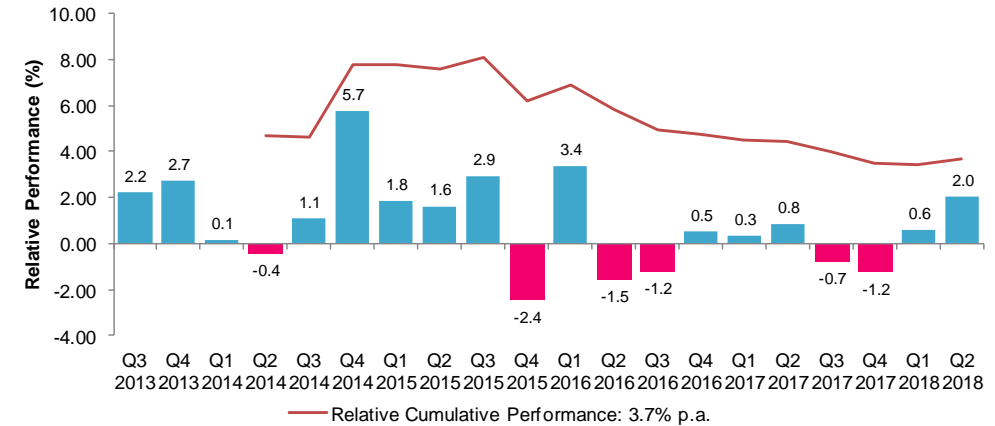
Continental was a major detractor during the period. Continental has been impacted by the threat of trade wars, which are expected to disproportionately impact auto companies. State Street also suffered as general market concerns, and its capital position, impacted investor sentiment.

Performance Summary to 30 June 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	9.0	9.6	16.0	17.1
Benchmark	6.8	8.9	14.7	12.0
Relative	2.0	0.6	1.1	4.5

* Inception date 16 Apr 2013.

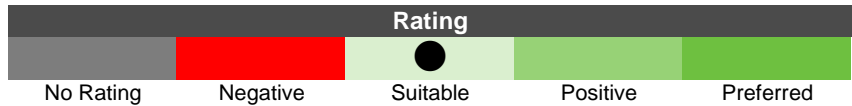
Relative Quarterly and Relative Cumulative Performance [i]



Source: [i] Fund Manager

Newton - Absolute Return

HR View Comment & Rating



We rate Newton Real Return at 'Suitable'.

During the quarter Newton announced that Andrew Warwick has been hired into the Real Return team. Warwick was previously a multi-asset portfolio manager at BlackRock and we view this as a significant hire into a team that has experienced some notable departures over recent years. We will meet with Newton, including Warwick, for an update before the end of the year.

Performance Summary to 30 June 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.3	-0.3	2.8	4.2
Benchmark	0.1	0.4	0.4	0.5
Relative	2.2	-0.7	2.4	3.7

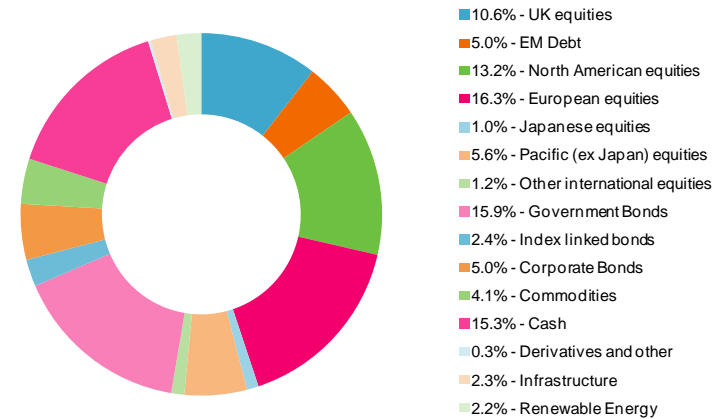
* Inception date 06 May 2010.

Performance Attribution Comment

The fund returned of 2.3% over the quarter, ahead of both benchmark and target. The fund continues to lag its target return over longer time periods. The biggest gains were attributed to the return-seeking core assets as equity markets somewhat recovered over the quarter.

Emerging Market debt detracted over the quarter amidst trade war tensions and a rising US dollar. Gold also detracted as safe-haven assets fell out of favour.

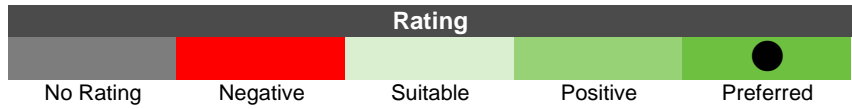
Asset Allocation [i]



Source: [i] Fund Manager

Ruffer - Absolute Return

HR View Comment & Rating



We rate Ruffer Absolute Return at 'Preferred'.

There have been no significant developments over the quarter.

Performance Summary to 30 June 2018 ^[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.2	1.3	1.9	4.9
Benchmark	0.1	0.4	0.4	0.5
Relative	1.1	0.9	1.5	4.3

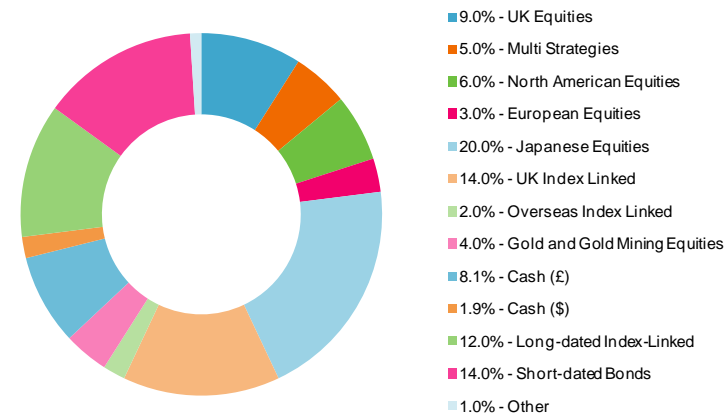
* Inception date 06 May 2010.

Performance Attribution Comment

The Ruffer Absolute Return mandate returned 1.0% over the quarter, outperforming benchmark by 0.9%. Performance over one and three years is ahead of benchmark but behind target, but in line with target since inception.

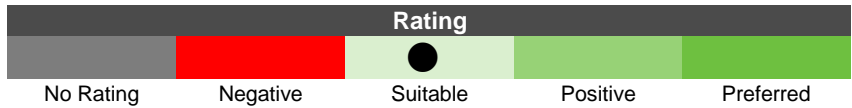
The portfolio has around 40% invested in global equities, with the rest invested in “protection” assets such as index-linked gilts, cash and downside protection options. Equities performed well during the quarter, assisted by strong oil prices, and this was the main reason for the portfolio's relatively strong return. Ruffer had also increased the weighting towards UK equities and was rewarded, in particular with strong returns from online supermarket firm Ocado (up 94%) on news of a deal with the US retailer Kroger for deliveries.

Asset Allocation



Schroders - Property

HR View Comment & Rating



We rate Schroders Property as 'Positive'.

There have been no significant developments over the quarter.

Performance Summary to 30 June 2018 ^[i]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.1	10.6	8.1	8.9
Benchmark	2.0	9.7	7.6	8.4
Relative	0.1	0.8	0.4	0.4

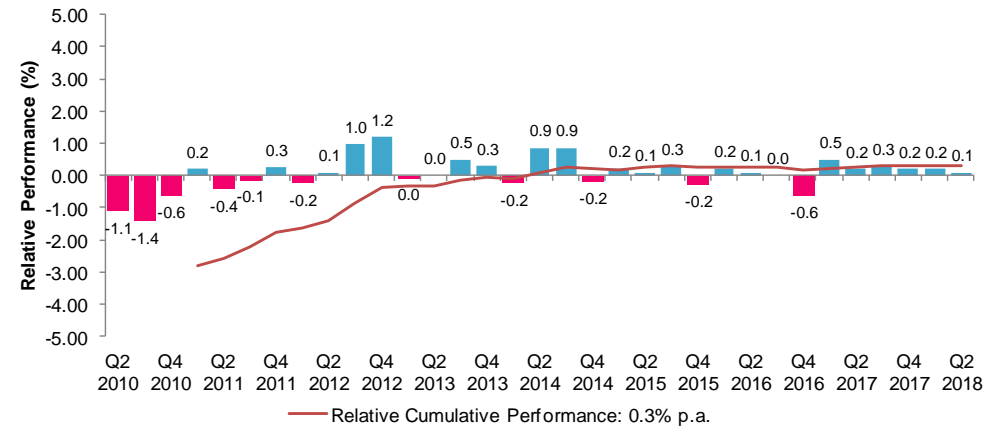
* Inception date 20 Feb 2010.

Performance Attribution Comment

Over the quarter, the fund returned 2.1%, marginally ahead of benchmark. The fund is ahead of benchmark over all time periods

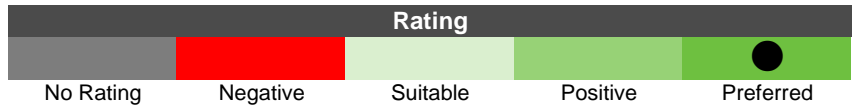
Schroders retained a large underweight position to the retail sector over the quarter, which benefitted performance as the sector continued to lag the wider market. The industrial portfolio also performed well again as the sector continued to be buoyed by high occupier demand.

Relative Quarterly and Relative Cumulative Performance



M&G - Bonds

HR View Comment & Rating



We rate M&G Bonds at 'Preferred'.

M&G Prudential have announced that Anne Richards has resigned as Chief Executive of M&G Investments and will leave M&G Investments in August. John Foley, Chief Executive of M&G Prudential, will take on the additional responsibilities of becoming Chief Executive of the key regulated entities of M&G and Prudential UK. Clare Bousfield, currently chief executive of Prudential UK, will become chief financial officer of M&G Prudential. At this stage, it is too early to assess the impact of Richards departure however we do not think it will have any significant impact on the M&G funds range and we are leaving our ratings unchanged.

Performance Attribution Comment

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

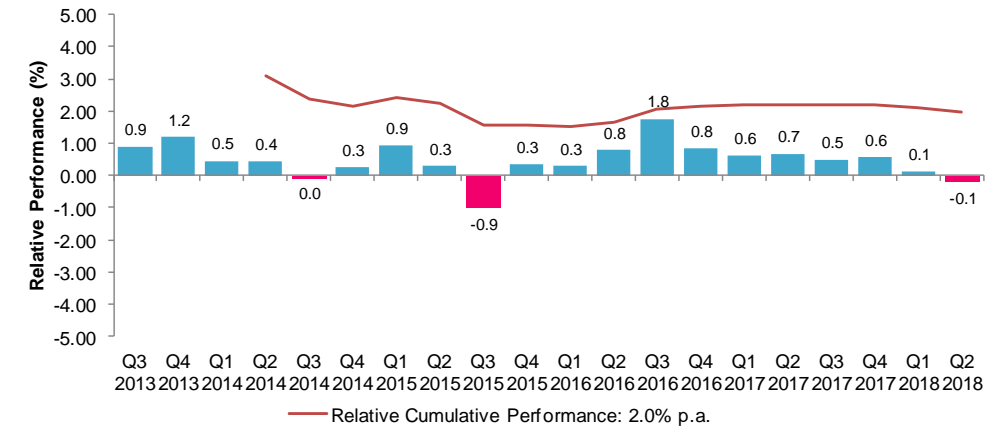
Over the quarter credit spreads widened and so the return on corporate bonds fell. The Fund's corporate bonds mandate returned -0.8%, in line with benchmark. The M&G Alpha Opportunities Fund also fell slightly on the back of widening spreads, as the fund underperformed the cash benchmark.

Aggregate performance of the two funds was -0.6%, marginally behind benchmark. The aggregate performance is comfortably ahead of benchmark over the longer periods of three and five years.

Performance Summary to 30 June 2018

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	10 Years (% p.a.)
Fund	-0.6	1.4	5.9	7.0
Benchmark	-0.5	0.4	4.0	4.9
Relative	-0.1	1.0	1.8	2.0

Relative Quarterly and Relative Cumulative Performance



M&G - Bonds - Performance Attribution

Performance Attribution Performance ^[i]

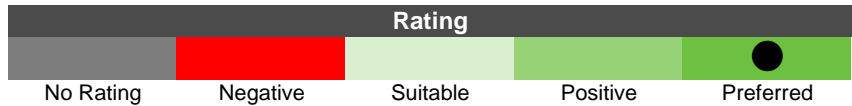
		UK Corporates	Alpha Opportunities Fund	Total
3 Months (%)	Absolute Benchmark	-0.8	-0.2	-0.6
		-0.8	0.1	-0.5
	Relative	0.0		
12 Months (%)	Absolute Benchmark	1.2	1.7	1.4
		0.4	0.4	0.4
	Relative	0.8	1.3	1.0
3 Years (% p.a.)	Absolute Benchmark	7.3	3.5	5.9
		6.1	0.4	4.0
	Relative	1.1	3.1	1.8
10 Years (% p.a.)	Absolute Benchmark	8.6	4.3	7.0
		7.6	0.5	4.9
	Relative	0.9	3.7	2.0

Source: ^[i] Fund Manager



UBS - Over 5 year IL Gilt

HR View Comment & Rating



We rate UBS Over 5 year IL Gilts at 'Preferred'.

Performance Summary - Table

	3 Months (%)	Since Inception* (% p.a.)
Fund	-1.3	4.1
Benchmark	-1.2	4.1
Relative	-0.1	-0.0

* Inception date 14 Feb 2018.

Performance Attribution Comment

Index-linked gilts protect the Fund from adverse movements in interest rates and inflation. During the quarter, gilt yields were relatively flat whilst inflation expectations fell. As a result, the index-linked gilt holdings fell in value.

UBS have successfully tracked the underlying index since inception.



Summary of Alternative Funds

Adams St	2003 Non US Fund	HarbourVest	HIPEP 4 Europe	M&G	Infracapital
	2003 US Fund		HIPEP 5 Europe		UK Financing Fund
	2005 Non US Fund		HIPEP 6 Europe		
	2007 Direct Fund		HIPEP 7 Europe	UBS	International Infrastructure Fund
	2007 Non US Fund		HIPEP 8		
	2007 US Fund		HarbourVest Partners VII - Buyout		
	2008 Direct Fund		HarbourVest Partners VII - Mezzanine		
	2008 Non US Fund		HarbourVest Partners VII - Venture		
	2008 US Fund		HarbourVest Partners VIII - Buyout		
	2009 Direct Fund		HarbourVest Partners VIII - Mezzanine		
	2009 Non US Developed Markets Fund		HarbourVest Partners VIII - Venture		
	2009 Non US Emerging Markets Fund		HarbourVest Partners IX - Venture		
	2009 US Fund		HarbourVest Partners IX - Buyout		
	2010 Direct Fund		HarbourVest Partners IX - Credit Opps		
	2010 Non US Developed Markets Fund		HarbourVest CleanTech		
	2010 Non US Emerging Markets Fund		HarbourVest CleanTech II		
	2010 US Fund				
	2011 Direct Fund				
	2011 Non US Developed Markets Fund				
	2011 Non US Emerging Markets Fund				
	2011 US Fund				
	2013 Non US Developed Markets Fund				
	2013 Non US Emerging Markets Fund				
	2013 US Fund				
	2014 Global Fund				
	2017 Global Fund				
	Co-Investment Fund II				



Performance Summary (gross of fees)

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

		UBS - Regional Equities	UBS - Fundamental Indexation	UBS - UK Equity Fund	UBS - Climate Aware World Equity Fund	UBS - Global EM Equity Fund	Longview - Global Equity	Newton - Absolute Return	Ruffer - Absolute Return	Schroder - Property	M&G - Bonds	UBS - Over 5 year IL Gilt Fund	Total Fund
3 Months (%)	Absolute Benchmark	-1.8 -1.8	5.5 5.6	9.2 9.2	-0.7 -0.7	-2.4 -2.5	9.0 6.8	2.3 0.1	1.2 0.1	2.1 2.0	-0.6 -0.5	-1.3 -1.2	4.7 4.0
	Relative				0.0	0.1	2.0	2.2	1.1	0.1		-0.1	0.7
12 Months (%)	Absolute Benchmark	N/A N/A	2.9 3.0	1.2 1.2	N/A N/A	-6.5 -6.6	9.6 8.9	-0.3 0.4	1.3 0.4	10.6 9.7	1.4 0.4	4.1 4.1	7.3 6.3
	Relative	N/A		0.0	N/A	0.1	0.6	-0.7	0.9	0.8	1.0	-0.1	0.9
3 Years (% p.a.)	Absolute Benchmark	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	16.0 14.7	2.8 0.4	1.9 0.4	8.1 7.6	5.9 4.0	N/A N/A	10.6 9.0
	Relative	N/A	N/A	N/A	N/A	N/A	1.1	2.4	1.5	0.4	1.8	N/A	1.4
10 Years (% p.a.)	Absolute Benchmark	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	17.1 12.0 4.5	4.2 0.5 3.7	4.9 0.5 4.3	8.9 8.4	7.0 4.9	N/A N/A	8.1 7.2
	Relative	N/A	N/A	N/A	N/A	N/A				0.4	2.0	N/A	0.8

[1] The table shows since inception returns in place of one year, three year and ten year performance for some of the managers, if the mandate has been in place for a shorter period. Total fund performance was provided by WM until 31 March 2016, including private market returns. In Q2 2016, total fund performance was calculated excluding private market investments. From Q3 2016 total fund performances has been calculated using estimated valuations for private market investments. 3 month returns for UBS funds are since inception.

Source: [i] Fund Manager, Hymans Robertson

Performance Calculation Explanation

Geometric vs Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

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

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

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

Using the arithmetic method

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

Using the geometric method

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

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



Report to: Pension Committee

Date of meeting: 24 September 2018

By: Chief Finance Officer

Title: Investment Strategy Statement (ISS)

Purpose: To inform the Committee of the review of the Fund's Investment Strategy Statement.

RECOMMENDATIONS:

The Committee is recommended to-

- a. Approve the Investment Strategy Statement (ISS);
 - b. Approve to disinvest 10% from equities and switch the proceeds into the M&G Alpha Opportunities Fund (5%), the Newton Real Return Fund (2.5%) and Ruffer mandate (2.5%).
-

1. Background

1.1 The Local Government Pension Scheme (LGPS) Management & Investment of Funds Regulations 2016 removed many of the investment restrictions imposed on LGPS funds, and introduces a prudential framework for investment decision making, introduce a Power of Direction for the Secretary of State to intervene in the investment function of an Administering Authority if deemed necessary, and require all funds to publish an Investment Strategy Statement (ISS).

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

2. Investment Strategy Statement (ISS)

2.1 The ISS outlines the East Sussex Pension Fund investment objectives. The primary long term objective is to achieve and maintain a funding level at, or close to 100% of the Fund's estimated liabilities; and within this, to endeavour to maintain low and stable employers' contribution rates.

2.2 All LGPS funds are required to prepare, maintain and publish an ISS. This document is designed to explain how the assets are managed to fund members, employers and any other interested parties, including factors that are taken into account in so doing. The latest ISS will be made available on the Council's website and a copy is attached at Appendix 1.

2.3 The attached ISS has been updated following the Committee discussion (at the investment strategy day) of various amendments that could be made to the ISS given the funding improvements, which include the following –

- to disinvest 10% from equities and switch the proceeds into the M&G Alpha Opportunities Fund (5%), the Newton Real Return Fund (2.5%) and Ruffer mandate (2.5%);
- to disinvest equally across the UBS UK equity fund, the overseas regional funds and the RAFI fund, the aim being not to disturb the actively managed Longview assets or sell the newly established Climate Aware fund holding.
- the East Sussex Pension Fund participation in Securities lending programme.

3. Conclusion and reasons for recommendations

3.1 Under Regulation 7(6) and (7), the statements must be published, kept under review and revised from time to time and at least every three years.

IAN GUTSELL
Chief Finance Officer

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

Background Documents
None



Investment Strategy Statement

September 2018

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the East Sussex Pension Fund (“the Fund”), which is administered by East Sussex County Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

The ISS has been prepared by the Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority. The ISS, which was approved by the Committee on 26 February 2018, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.

The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee’s views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

The Fund carries out an asset liability modelling exercise in conjunction with each actuarial valuation. A number of different contribution and investment strategies are modelled and the future evolution of the Fund considered under a wide range of different scenarios. The Committee considers the chances of achieving their long term funding target and also considers the level of downside risk in the various strategies by identifying the low funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund’s level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The Committee also monitors the Fund’s actual allocation on a regular basis to ensure it does not notably deviate from the target allocation and has implemented a rebalancing policy Appendix A.

To help clearly define the strategic approach adopted by the Committee it has set out its investment beliefs Appendix B.

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Table 1: Fund allocation

Asset class	Target allocation %	Maximum invested* %	Role within the Strategy
Global Equity	33.0	44.0	Growth Assets
UK Equity	7.0		Growth Assets
Absolute Return	21.0	23.0	Growth Assets
Private Equity	5.5	7.5	Growth Assets
Property	10.0	13.0	Income Assets
Infrastructure	4.0	6.0	Income Assets
Private Debt	3.0	5.0	Income Assets
Index-Linked Gilts	5.0	6.0	Protection Assets
Fixed Interest Bonds	3.5	4.5	Protection Assets
Absolute Return Bonds	8.0	9.0	Protection Assets
Cash	0.0	2.0	Protection Assets
Total	100.0		

*The maximum invested figures are based on the rebalancing ranges agreed by the East Sussex Pension Committee within its rebalancing policy.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and a rebalancing policy is applied to maintain the asset split close to the agreed asset allocation target. Therefore it is not felt necessary to set additional restrictions on investments.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The results from the 2016 analysis highlighted that the Fund - utilising its current stabilisation parameters for contributions – has a sufficiently high probability of success without being too prudent (71%). The downside risk measure (31% average funding level in the 5% of worst outcomes) highlights the wide range of future outcomes under the current stabilisation parameters. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee reviews the demographic assumptions of the Fund every three years as part of its triennial valuation to mitigate the risk that any changes to longevity and other factors would have on the Fund.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns. The Fund believes that climate change poses material risks to the Fund but that it also presents positive investment opportunities.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assesses the Fund’s currency risk during their risk analysis. Details of the Fund’s approach to managing ESG risks are set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund’s assets managed on a passive basis. The Committee assess the Fund’s managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock Lending- The Fund will participate in a Stock lending programme managed by its global custodian. It will recall securities or stocks lent out as part of the programme as requested to exercise its voting rights when required. The Fund will participate in any stock-lending arrangements in the future as part of the LGPS ACCESS pool. The Committee will ensure that robust controls are in place to protect the security of the Fund’s assets before entering into any stock lending arrangements. The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool Operator)

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the ACCESS Pool. The proposed structure and basis on which the ACCESS Pool will operate was set out in the July 2016 submission to Government.

Assets to be invested in the Pool

The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has elected not to invest the following assets via the ACCESS Pool:

Table 2 – Assets held outside the pool

Asset class	Manager	% of Fund assets	Benchmark	Reason for not investing via the ACCESS Pool
Private Equity	Harbourvest Partners / Adam Street Partners	5.5%	MSCI All Countries World	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned.
Infrastructure	M & G Infracapital / UBS Infrastructure / Pantheon	4.0%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned.
Private Debt	M & G	3.0%	GBP 3 Month LIBOR	Existing illiquid asset programmes will run off at normal lifecycle to avoid crystallising exit costs and loss of illiquidity premium earned.
Operational cash	East Sussex County Council	0.0%	N/A	East Sussex Pension Fund needs to manage its cash flow to meet statutory liabilities, including monthly pension payroll payments, therefore, a reasonable level of operational cash will be required to maintain efficient administration of schemes and would be held outside the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2019.

Structure and governance of the ACCESS Pool

East Sussex is a member of the ACCESS pool along with the following 10 other pension funds:

Cambridgeshire	Kent
Essex	Norfolk
Hampshire	Northamptonshire
Hertfordshire	Suffolk
Isle of Wight	West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership. ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments to be pooled in 2018 was the passively managed investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website <http://www.accesspool.org/>

The "ACCESS Pool" is not a legal entity. However a Joint Committee (JC), comprising of elected Pension Committee Chairmen from each Administering Authority and supported by the Officer Working Group has been established via an Inter Authority Agreement. Papers from previous and future ACCESS JC meetings papers can be found using the following link: <https://democracy.kent.gov.uk/mgOutsideBodyDetails.aspx?ID=898>

ACCESS has taken advice on its sub-fund design and developed a draft plan for consolidation of a significant portion of participating Authorities' liquid assets in the initial set of sub-funds. This sub-fund proposal will allow the Operator to make rapid progress in preparing and submitting an application for authorisation of the ACCESS ACS and a set of "pilot and pipeline" sub-funds.

Investments Under Pool Governance (Passive) - The value of assets to be held within the Pool includes passively managed assets which will be held in Life Policies. The Life Policies themselves will necessarily remain an agreement between the participating Authority and the appointed external investment manager. This was acknowledged as an accepted outcome by Government. All passive assets will therefore be held out-side the Authorised Contractual Scheme (ACS) and will not be managed or administered by the Pool Operator.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee considers the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters very seriously and conducts a review of its policies in this area and its investment managers' approach to ESG.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments.

To date, the Fund's approach to Social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties.

The Fund does not hold any assets which it deems to be social investments.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard, which is considered as part of the appointment of an investment manager process. The managers are strongly

encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2) (f).

Stewardship

The Committee understands that stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. A copy of the Fund's statement of compliance with the Stewardship code can be found on the Fund's website.

As part of its compliance with the Stewardship Code the Fund has adopted a set of Voting Intention Guidelines set out above. The Committee will publish an annual report of voting activity as part of the Fund's annual report.

The Committee expects its investment managers to be signatories or comply with the Stewardship Code as published by the Financial Reporting Council. Asset manager signatories have been categorised in three tiers.

- **Tier 1** – Signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary.
- **Tier 2** – Signatories meet many of the reporting expectations but report less transparently on their approach to stewardship or do not provide explanations where they depart from provisions of the Code.
- **Tier 3** – Significant reporting improvements need to be made to ensure the approach is more transparent. Signatories have not engaged with the process of improving their statements and their statements continue to be generic and provide no, or poor, explanations where they depart from provisions of the Code.

Investment Managers Stewardship Rating

Tier 1

- UBS Asset Management
- Newton Investment Managment
- Ruffer LLP
- Schroder Investment Managment Limited
- M & G Investment Managment
- Longview Partners
- Northern Trust Global Investments

Tier 2

- None

Tier 3

- None

The Committee expects both the ACCESS Pool and any directly appointed fund managers to also comply with the Stewardship Code. In addition to the Fund's views on the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

Appendices

Appendix A – Rebalancing Policy

Appendix B – Investment Beliefs

DRAFT

Appendix A



Rebalancing Policy

February 2018

Appendix A

Rebalancing Ranges

The following ranges have been agreed by the committee to set as points as to which rebalancing should take place.

Asset class	Strategic target (%)	Range (%)
Global Equities	33.0	36.0 – 44.0
UK Equities	7.0	
Private Equity	5.5	3.5 – 7.5
Absolute Return	21.0	19.0 – 23.0
Total Growth	66.5	60.0 – 73.0
Property	10.0	8.0 – 12.0
Infrastructure	4.0	2.0 – 6.0
Private Debt	3.0	1.0 – 5.0
Total Income	17.0	15.0 – 19.0
Absolute Return Bonds	8.0	7.0 – 9.0
Fixed Interest Bonds	3.5	2.5 – 4.5
Index-Linked Gilts	5.0	4.0 – 6.0
Cash	0.0	0.0 – 2.0
Total Protection	16.5	15.0 – 18.0
Total	100.0	

Rebalancing for the Fund – General Rules

The following general rules will determine how a rebalancing process for the Fund will operate.

- **Rebalancing would apply only to equities, absolute return funds and bonds** - Due to the transaction costs and illiquidity associated with the other investments such as property, rebalancing for those asset classes will be considered on an annual/ad hoc basis;
- **Rebalancing would be monitored on a quarterly basis**
- **Each benchmark allocation would have a weighted tolerance range** – A tolerance range will be defined for growth and matching assets and each underlying mandate; these tolerance ranges will be used in determining when rebalancing will occur;

Appendix A

- **Cash holdings to be used for rebalancing.** Where possible any net investments or disinvestments should be used to manage allocations, for example, by investing any surplus cash into the most underweight asset class.
- **Rebalancing will occur at two levels; at the growth vs matching level, and at the mandate level –** The rebalancing process will determine if rebalancing is required between growth and matching assets, and separately if rebalancing is required between asset classes. However, it is more important to be willing to incur transaction costs if necessary to rebalance between bonds and equities, for example, than switching between managers with similar mandates (e.g. Longview and L&G global equities).
- **Rebalancing transactions will aim to rebalance allocations out with their tolerance ranges to the midpoint (at least) of the tolerance range –** The mid-point of the tolerance range is the mid-point between a benchmark allocation and its upper or lower tolerance limit. Assuming an asset class with a 60% allocation and a 54%-66% tolerance range, the upper mid-point would be the halfway point between 60-66% (i.e. 63%). The lower mid-point would be the halfway point between 54% and 60% (i.e. 57%). Analysis suggests that this is the best way of balancing the impact of transaction costs against returns.

The allocations to private equity and infrastructure (and to a lesser extent property) will vary with general market movements and are not easily altered, due to the illiquid nature of the asset classes. Therefore we do not anticipate any rebalancing being carried out in relation to the Fund's private equity or infrastructure investments.

Appendix B



Investment Beliefs

February 2018

Appendix B

Fund specific investment beliefs

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

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

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

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

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

Belief: Funding and investment strategy are linked

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

Belief: Long term investing provides opportunities for enhancing returns

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

Belief: Equities are expected to generate superior long term returns

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

Belief: Alternative asset class investments provide diversification

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

Appendix B

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

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

Belief: Fees and costs matter

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

Beliefs: Rebalancing can add value

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

Belief: Active management can add value but is not guaranteed

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

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

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

Belief: Choice of benchmark index matters

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

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

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

Appendix B

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

The Committee recognises that climate change issues can impact the Fund's returns and reputation. The impacts of climate change on the returns of the Fund in the future are unknown at this point but the Committee recognises that they need to allocate sufficient time and resource to monitor the possible risks and also identify any investment opportunities which may become available as a result. The committee is aware that not all companies and sectors are affected in the same way by climate change

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

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

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

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

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

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

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

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

This page is intentionally left blank

Report to: Pension Committee

Date of meeting: 24 September 2018

By: Chief Finance Officer

Title: Annual review of the Fund's Environmental, Social and Corporate Governance (ESG) approach

Purpose: To consider an update on ESG and Low Carbon Approach for the Fund.

RECOMMENDATION -

The Committee is recommended to consider and comment on this report.

1. Background

1.1 The Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 require East Sussex Pension Fund's (the Fund) Investment Strategy Statement (ISS) to include a policy on how social, environmental or corporate governance considerations are taken into account; in the selection, non-selection, retention and realisation of investments.

1.2 The Fund is required to make the pursuit of a financial return its predominant concern as it has a fiduciary duty to its members to pay pension benefits. This principle is the leading focus of the Fund's investment strategy. The Fund may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme. This is only where the Fund has good reason to think that scheme members would support their decision.

1.3 This report provides an update on previous Committee recommendations on the approaches to mitigate risks posed by climate change/fossil fuels and to formulate a cost effective Ethical, Social and Governance (ESG) Policy.

2. ESG – Future Work on Recommendations

2.1 The Pension Committee has on a number of occasions considered its approach to responsible investment practices, and reflecting on ways to increase the level of engagement on ESG issues in relation to the management of the Fund investments.

2.2 Like most LGPS funds, the Fund has preferred to use the route of engagement with its managers and companies rather than taking a particular stance of divesting in companies or market sectors, having considered the financial risks of such a course of action.

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

	Committee Decision	Future Work and Updates
a.	Include within the Pension Fund Investment Beliefs, statements relating to ESG investment.	The Pension Fund Investment Beliefs have been updated with statements relating to ESG investment. The document has been included as an appendix to the Investment Strategy Statement (ISS), which will demonstrate a commitment to managing carbon risk and set targets that are both quantifiable and measurable where this is appropriate. <i>A revised Investment Strategy Statement ~ (ISS) is on the Committee agenda for approval at this meeting.</i>
b.	Agree that the East Sussex Pension Fund	Officers are currently looking into how the Fund can commit to the UK Stewardship Code and becoming a signatory. The

	Committee Decision	Future Work and Updates
	should sign up to the UK Stewardship Code; and,	principal aim of the Code is to encourage institutional investors, who manage other people's money to be active owners and engage with their investee companies so as to encourage them to act in the interests of their beneficiaries. The Fund need to comply with the seven principles of the Code. <i>The Statement of Compliance with the UK Stewardship Code report will be presented to the Committee for approval at its November 2018 meeting.</i>
c.	Analysis of the Fund's exposure to carbon risk within its equity holdings.	Completed by Trucost and outcome reported at the February 2018 Committee meeting.
d	Option of reallocating the Pension Fund's passive equity mandate.	Completed with a proportion of the Fund's passive equity mandate reallocated into the UBS climate aware rules-based portfolio.

3. Environmental, Social and Governance - Next Step

3.1 ESG update paper will be discussed at the September Committee meeting to agree other additional ESG areas of focus. There are a number of suggestions including -

- Review ESG related objectives and beliefs.
- Collaboration with the ACCESS Pool to help progress their ESG arrangements.
- Consider producing a Responsible Investment policy which is reviewed and published on an annual basis.
- Consider if the Fund wish to disclose results of the Fund's equity carbon footprint.
- Using the results of the carbon footprint to engage with, and challenge the Fund's managers with equity exposure.
- Training relating to the UN Sustainable Development Goals.

4. Conclusion and recommendations

4.1 The cornerstone of the Fund's policy on ethical investment – as set out in its ISS – is its interpretation of the Fund fiduciary duty and legal position regarding its duty towards ethical investment. This is an area in which further work will continue to be undertaken over the coming months.

IAN GUTSELL
Chief Finance Officer

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

BACKGROUND DOCUMENTS

None

Report to: Pensions Committee

Date: 24 September 2018

By: Chief Operating Officer

Title: Pensions Annual Benefit Statement 2018 update

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

Recommendation

The Committee is recommended to consider and comment on the report.

1 Introduction

1.1 This report has been prepared to inform the Committee of the status of the recently completed annual benefit statement (ABS) 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 It is with regret that Business Operations reports that 10% of active member statements (2,586) were not issued before the statutory deadline of 31 August 2018.

2.2 Following the production of the statements prior to the deadline, an administrative error was identified which had resulted in certain member records across a number of employers (66) to be placed in “complete” status when in fact information required to enable a statement to be produced, was in fact missing. As an example, CARE contributions were omitted from being updated.

2.3 At the time of writing this report, Business Operations has initiated investigations to fully understand the cause and identify the checking process failures that led to this very disappointing outcome.

2.4 Internal audit has been commissioned to lead an independent review and an update on findings will be provided to the Committee.

2.5 In respect of remediation, Business Operations has undertaken urgent activity to correct the records affected by checking and completing the validation required. A verbal update will be provided to the Committee confirming completion of this and the subsequent production of the delayed benefit statement.

2.6 A regular programme of updates was provided to the Board throughout the data gathering and preparation exercise designed to provide confidence that the learnings from previous ABS exercises were in place. With late employer returns in previous years leading to difficulties in meeting the deadline, it was encouraging to secure the employer end of year returns in good time compared to previous years. This makes the discovery of this unforeseen administrative error extremely disappointing.

2.7 Despite this much improved process, one employer failed to provide their return prior to 31 August. This resulted in the 32 employees of Gildredge House Free school not being sent a statement prior to the deadline.

2.8 Employees of the above employer were written to prior to 31 August to inform them of the position which included 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.

2.9 An internal breach report has been issued to the monitoring officer and Section 151 Chief Finance Officer to consider the materiality of the incidents described above and if required, will inform the pension regulator.

3 Communication

3.1 The Committee 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 & 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 members 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	10,414	19,500
Delayed statements	21 September (TBC)	2,586	0
Suppressed		0	7,200
TOTAL		25,130	29,000

4. Deferred member records

4.1 As is common across all LGPS schemes, 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.

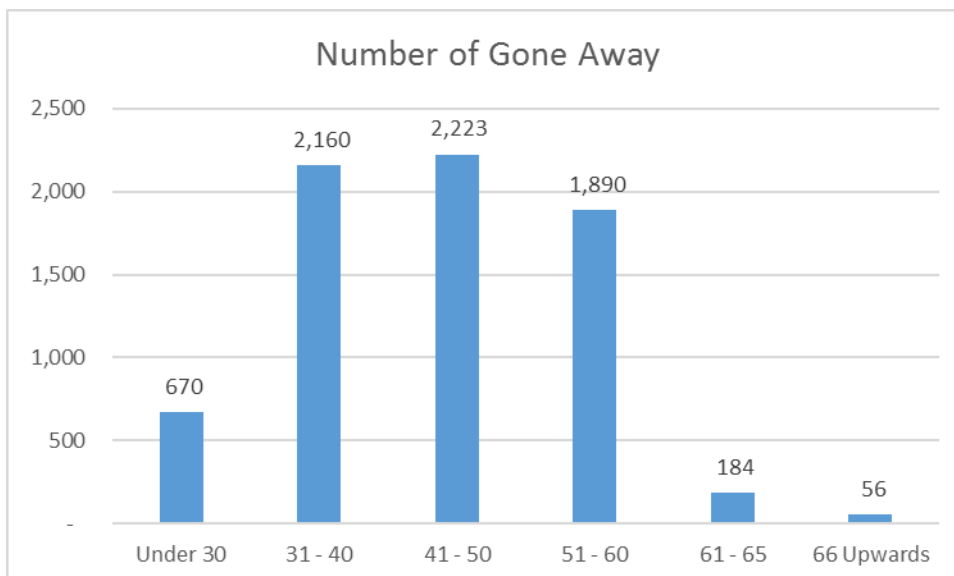
4.3 The production of deferred member statements this year resulted in the suppression of 7,200 records which were recorded as "gone aways." This represents an increase from 5,000 records last year. The proportion of such records is 25% of the deferred member database. This compares to a range of 3 - 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.

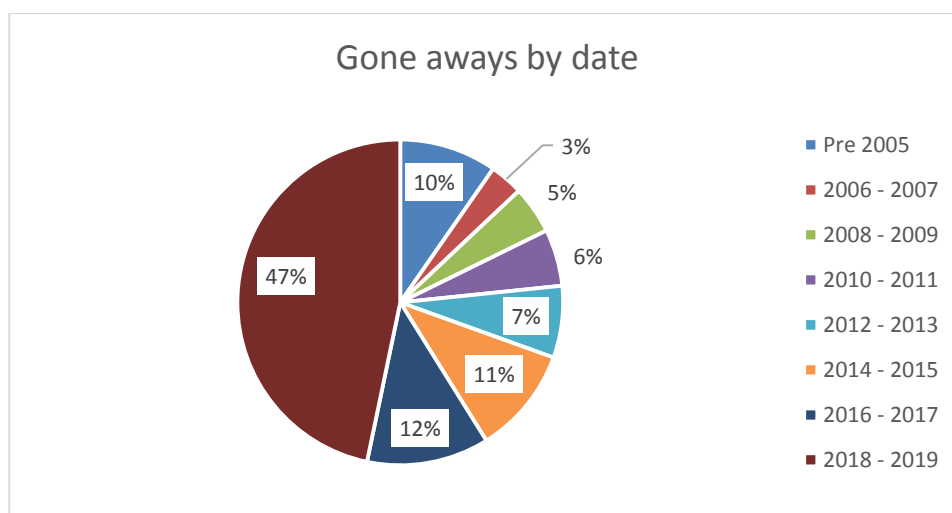
4.4 The Committee may recall that an exercise was carried out earlier this year to try and reduce the number of records which are in such status from mailing. A third party specialist tracing organisation was commissioned to locate new addresses for such records.

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 and 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 Regulations (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

Contact Officer: Brian Smith Tel. No. 07791 423476

Email: brian.smith@eastsussex.gov.uk

Report to: Pension Committee

Date of meeting: 24 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 Committee 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. 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 has prepared this summary of topical administration activities that may be of interest to the Committee. This report is provided for information and the Committee 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 Committee will recall instruction was approved by the 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 by mid September and the Committee will be provided with an 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 Committee may be aware that administering authorities have 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) have 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.

4.7 The Committee is recommended to approve this expenditure.

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 the data cleanse which will commence in October with the recruitment of dedicated resource to correct known errors initially. The plan will include engagement and agreement on the criteria with the Governance and Actuarial colleagues. This work is anticipated to be completed in January. The exercise described above relating to common and conditional data analysis will assist in 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 With Michael leading the future Business Operations updates, it is recommended that he attends the next Committee meeting by way of introduction.

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

Kevin Foster
Chief Operating Officer

Contact Officer: Brian Smith Tel. No. 07791 423476

Email: brian.smith@eastsussex.gov.uk

This page is intentionally left blank

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	
	Scheme members	Pensioners, Active & Deferred			74098		74187		74232		74378		74788		76344	
	New starters set up				317		476		423		413		419		332	
					Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score	Volume	Score
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					0		0		3		1		0		0
	Complaints received- Regulatory															
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					

This page is intentionally left blank

Report to:	Pension Committee
Date of meeting:	24 September 2018
By:	Chief Finance Officer
Title:	Hymans Robertson Employer Asset Tracker
Purpose:	To seek the Committee approval for procuring the Hymans Robertson Employer Asset Tracker (HEAT).

RECOMMENDATIONS – The Committee is recommended to:

- 1. approve the Hymans Robertson Employer Asset Tracker implementation;**
 - 2. approve the annual operating cost of £25,000.**
-

1. Background

1.1 The Hymans Robertson Employer Asset Tracker (HEAT) provides an efficient way of accurately apportioning assets to individual employers. It allows for employer cash flows and investment returns achieved by the East Sussex Pension Fund (the Fund) in the same way as a bank account or investment fund operates. It is a simpler, pragmatic form of an unitisation process proportionate to the needs of Local Government Pension Scheme (LGPS) funds.

2. Hymans Robertson Employer Asset Tracker (HEAT)

2.1 The LGPS has changed and continues to change. The Administering Authority has more to do, often with less resource, such as:

- there is more reporting and more scrutiny on LGPS funds and the bar has been raised in relation to governance, auditability and transparency;
- there are lots more employers participating in the Fund that need information and advice;
- the characteristics of the employers are more diverse; and
- the benefits are becoming increasingly complicated to administer.

2.2 The requirements and responsibilities are more onerous and complicated and therefore there is a need for more robust processes and greater transparency for stakeholders. The current method for asset tracking is becoming increasingly limited.

2.3 Implementing the HEAT's asset tracking approach will benefit the Fund through assets being based on the Fund's ledger, which is still within control of the Council so there is significantly less reliance on third parties keeping data up to date and correct, and assets allocated to employers would be readily auditable and more accurately reflect the employer's assets through a reduction in the level of cross-subsidies across participating employers (and so reduce the risk of the potential challenge by employers). HEAT will improve record keeping, financial accounting, increased engagement from employers as the approach would be easier to understand and more transparent.

2.4 The associated cost for providing the HEAT system is approximately £2,500 per month (i.e., £25,000 pa). The Pension Board received a presentation (attached as Appendix 1) at its meeting on 10 September 2018 and agreed that the fee of £15 per employer per month for HEAT is not insignificant. The Pension Board resolved to note the report.

3. Conclusion and reasons for recommendations

3.1 The Committee is recommended to approve the procurement of the HEAT system at a cost of £25,000 per annum.

IAN GUTSELL

Chief Finance Officer

Contact Officer: Ola Owolabi, Head of Pensions

Tel. No. 01273 482017

Email: Ola.Owolabi@eastsussex.gov.uk

BACKGROUND DOCUMENTS

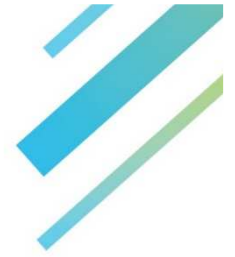
None

HEAT: the Hymans Robertson Employer Asset Tracker

The future for LGPS assets

Hymans Robertson LLP is authorised and regulated
by the Financial Conduct Authority

HYMANS  ROBERTSON



Benefits to you

- ✓ Framework for multiple investment strategies
- ✓ Mitigate risk of employer challenge
- ✓ Better risk management
- ✓ Assets available at any time, not every 3 years
- ✓ Fewer cross subsidies between employers
- ✓ Improved transparency and auditability
- ✓ Easier to understand
- ✓ Withstand external scrutiny
- ✓ More efficient funding valuations
- ✓ Long term efficiencies for your team



How might different investment strategies work?



Sub Fund 1 (SF1)
Growth

Equity
Property
PE
Alternatives

Sub Fund 2 (SF2)
ILG

Index Linked Gilts

Sub Fund 3 (SF3)
Other bonds/cash

Fixed Interest
Cash
Corporate

Whole fund investment strategy

- 80% SF1
- 5% SF2
- 15% SF3

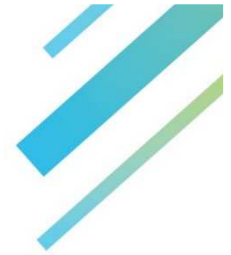
Medium risk investment strategy

- 50% SF1
- 20% SF2
- 30% SF3

Low risk investment strategy

- 100% SF2





HEAT data requirements

Employer	CPX Code	
	Name	
Employer Contributions	Normal	
	Augmentation	
	Strain on Early Retirement	
	Deficit Repair	
Employee Contributions		
Transfers In	Internal	
	External	
Outflows	Pensions Paid	
	Retirement Grants and Lump Sum Payments	
	Death Grants Paid	
	Transfers Out (Internal)	
	Transfers Out (External)	
Other Cashflows		
Comments/Notes		

The above data is provided monthly for each employer in the Fund

HEAT output



Sample Fund	Sample Employer											
	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016
	£	£	£	£	£	£	£	£	£	£	£	£
Opening assets	9,932,767	9,886,915	9,979,757	9,657,255	9,966,589	9,740,768	9,784,649	10,095,257	10,238,320	10,365,964	10,504,896	10,747,165
Opening strategy	A	A	A	A	A	A	A	A	A	A	A	A
Return on assets	0.69%	0.62%	(3.52)%	2.32%	(2.12)%	0.1%	2.44%	1.21%	0.96%	0.98%	1.95%	2.1%
Income												
Employer contributions												
Normal	26,181	11,862	48,428	60,814	-	30,622	60,880	24,640	28,946	31,602	32,617	29,001
Augmentation	-	-	-	-	-	-	-	-	-	-	-	-
Strain on early retirement	-	4,740	-	-	-	-	-	-	-	-	-	-
Deficit repair	-	-	-	15,100	-	7,550	15,100	-	7,550	7,550	7,550	7,550
Employee contributions	11,223	29,362	(5,540)	24,101	-	12,100	23,938	10,357	11,443	12,495	12,866	11,937
Transfers in (internal)	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in (external)	-	-	-	-	-	-	-	-	-	-	-	-
Total income	37,405	45,765	42,888	100,015	-	50,273	99,919	34,997	47,939	51,647	53,023	49,478
Expenditure												
Pensions paid	(12,519)	(12,723)	(12,688)	(12,688)	(12,688)	(12,688)	(13,311)	(12,422)	(12,860)	(12,813)	(12,813)	(12,813)
Pension grants and lump sum payments	-	(15)	-	-	-	-	(1,046)	-	-	-	-	-
Death grants paid	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out (external)	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out (internal)	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditure	(12,519)	(12,739)	(12,688)	(12,688)	(12,688)	(12,688)	(14,356)	(12,422)	(12,860)	(12,813)	(12,813)	(12,813)
Other cashflows	(2,224)	(1,686)	(1,586)	(1,651)	(1,691)	(3,503)	(3,440)	(1,842)	(6,208)	(1,705)	(3,278)	(4,079)
Net cashflow	22,662	31,340	28,614	85,675	(14,379)	34,081	72,123	20,733	28,671	37,130	36,932	32,566
Closing strategy	A	A	A	A	A	A	A	A	A	A	A	C
Closing assets	9,886,915	9,979,757	9,657,255	9,966,589	9,740,768	9,784,649	10,095,257	10,238,320	10,365,964	10,504,896	10,747,165	11,005,430

HEAT tracks employer assets monthly like a bank account

This page is intentionally left blank

Report to: Pension Committee

Date: 24 September 2018

By: Head of Pensions

Title of report: General Update

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

RECOMMENDATION – The Committee is recommended to note the update.

1. Background

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 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, where 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.

3.2 The Fund will be updating both the Funding Strategy Statement (FSS) and Cessation policy to reflect these new regulations. Regulation 64 (1) & (2) of these regulations now state where an employing authority ceases to be a scheme employer, the Administering Authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date and where a deficit exists, it requires the rates and adjustments certificate to be amended to show the revised contributions due from the ceasing employer.

3.3 Where a surplus exists, the Fund will pay an exit credit to the ceasing employer within three months of the cessation date. As part of the triennial valuation process the Fund will consider any further changes and carry out a full consultation at that time.

4. 2018 Employer Forum

4.1 The East Sussex Pension Fund (ESPF) Employer Forum is scheduled for 23rd November 2018 at the American Express Community Stadium, Falmer. The draft itinerary is currently being finalised and will be shared with Board in September.

5. Pension Committee Agenda – November 2018

- 5.1 The draft agenda for the November 2018 Pension Committee meeting include the following
- Option appraisal of services offered by other administration system providers;
 - East Sussex Pension Fund: Independent Advisor;
 - LGPS Pooling – ACCESS Pool Update;
 - Pension Board Minutes;

- Quarterly Performance Report - Hymans Robertson;
- Fund Performance – Fund Manager Presentation;
- Officers' Report - Business Operations;
- Officers' Report - General Update;
- Forward Plan;
- Pension Employers- Update.

6. Conclusion and reasons for recommendations

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

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

Local Member(s): All

Report to: **Pension Committee**

Date: **24 September 2018**

By: **Head of Pensions**

Title of report: **Pension Fund 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 Committee is recommended to note the content of this report.

1. Introduction

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

2. Report Overview

2.1 This report contains an updated 2018/19 Forward Plan, which will assist 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 “Public Service 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; Sustainable Investing/ESG; Merits and Dangers of Index Funds*.

5. Conclusion and reasons for recommendations

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

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

This page is intentionally left blank

EAST SUSSEX PENSION FUND

PENSION COMMITTEE/BOARD FORWARD PLAN 2018-19

September 2018

Contents

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

Business Plan

1 Introduction

- 1.1 Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2013, the East Sussex County Council administers the Pension Fund for approximately 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					

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	Policies of the administering Authority <ul style="list-style-type: none"> · 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 or Board members, in which case the training must cover any measurement assessment being applied by the Fund in the monitoring knowledge levels.

2.4 Flexibility

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

2.5 E-Learning

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

3. Training deliverables

3.1 Suitable Events

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

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

3.2 Training methods

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

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

3.3 Training material

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

4. Monitoring and Reporting

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

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

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

5. Risk

5.1 Risk Management

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

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

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

6. Budget

6.1 Cost

A training budget will be agreed and costs fully scoped.

6.2 Reimbursement of expenses

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

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

7. Pensions Regulator Training Toolkit

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

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

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

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

Proposed Members Training Plan for 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.

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
GENERAL TRAINING								
General overview of LGPS - Introduction • Member's Role	✓						1	Completed
Members individual needs on specific areas arising during the year • Advisory Board e-learning	✓	✓			✓	✓ ✓	1,3,4	As required – notify Head of Accounts and Pensions
Pre- committee meeting/agendas • Specific investment Topics • Services and providers • Procurement process for services provided externally • Performance measurement • Accounts and audit		✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓				2,3,4,5	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
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								

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
General 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	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
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 94				✓ ✓ ✓	✓		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	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
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	

	PROPOSED DELIVERY METHODS							
TRAINING NEED	One-to-One Briefing with an officer	Members' Briefing Notes	Short Seminars (before Committee meeting)	Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g. Webcasts, Videos)	KSF area (s)	COMPLETION TARGET DATE
<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 102	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 Sustainable Investing/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;

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank