

Potential business plan for reviewing the Fund's investment arrangements

Introduction

This paper is addressed to the Officers and Pension Committee ("Committee") of the East Sussex Pension Fund ("the Fund"). It should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We cannot be held liable for any loss incurred by a third party relying on this paper without such permission.

Background

At the Fund's Annual Strategy Day held on 18 July, the forward-looking investment sessions focused heavily on:-

- Setting objectives
- Investment beliefs
- Reviewing high level investment strategy
- Detailed asset allocation and manager mandates
- Policies in relation to ESG factors.

In the table below, we have set out a provisional timetable showing how each of these issues is likely to be addressed by the Officers and Committee over the next two years. We have considered how each item needs to tie in with:-

- The actuarial valuation being carried out as at March 2016, which will involve setting long term funding objectives. We will work closely with our actuarial colleagues in this regard.
- The development of the ACCESS asset pooling arrangements, which may place constraints on the way in which the Fund is able to invest in future, and is likely to change the Committee's manager monitoring arrangements in the long-term.

Business plan

At this stage, we anticipate that the following items will be explored by Officers and Advisers - and subsequently addressed by Committee at the relevant quarterly meetings. There may need to be some flexibility in light of the modelling options which are ultimately considered and the uncertainty over the pace at which asset pooling 'solutions' will be agreed and become available.

Table 1: Draft business plan

Meeting	Action
Q3 2016	<ul style="list-style-type: none"> • Formalise a Statement of Investment Beliefs. • Agree a formal policy on the Fund's approach to ESG. • Review private markets exposure
Q4 2016	<ul style="list-style-type: none"> • Confirm the long term funding objectives in conjunction with the actuarial valuation. • Specify the investment objectives for the asset liability modelling work. • Consider a potential 'steady state' target asset allocation. • Follow up on the agreed ESG approach
Q1 2017	<ul style="list-style-type: none"> • Consider the merits of offering one or more alternative employer strategies. • Agree the Fund's new Investment Strategy Statement (ISS). • Consider the structure options to be made available within the ACCESS pool – and the implications for the current investments.
Q2 2017	<ul style="list-style-type: none"> • Consider the mechanisms for implementing any future de-risking or re-risking. • Annual review of the private markets programme. • Annual review of the Fund's investment beliefs • Investment structure follow up
July 2017	<ul style="list-style-type: none"> • Investment strategy day
Q3 2017	<ul style="list-style-type: none"> • Review the allocations within equities (including active / passive split). • Review the benchmarks / guidelines for future bond mandates within ACCESS pool. • Annual review of the Fund's ESG approach
Q4 2017	<ul style="list-style-type: none"> • Review the allocations to alternative asset investments within the context of the ACCESS pool. • Structure follow up from Q3 meeting
Q1 2018	<ul style="list-style-type: none"> • Prepare for transferring into ACCESS pool • Annual review ISS
Q2 2018	<ul style="list-style-type: none"> • Annual review of the private markets programme. • Annual review of the Fund's investment beliefs

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We anticipate that the Committee will wish to continue meeting with investment managers until asset pooling has been implemented. Other ad-hoc items will also arise for specific meeting agendas. There is also the chance that the Fund may create ongoing workstreams depending on what decisions are taken in respect of issues such as policy on ESG, offering alternative investment strategies, etc.

It should be possible to use the Annual Strategy Day in summer 2017 to confirm the decisions on high level investment strategy which have been developed in H1 2017 - and address the significant number of manager structure items implied in the business plan.

We look forward to discussing this plan with the Committee.

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August 2016

For and on behalf of Hymans Robertson LLP

General Risk Warning

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