

Report to: **Pension Board**

Date of meeting: **3 November 2016**

By: **Interim Chief Finance Officer**

Title: **Officers' Report – General Update**

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

## RECOMMENDATION

**The Board is recommended to note the report.**

### 1. Introduction

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

### 2. Report Overview

#### Cash Flow Forecast and Summary

2.1 The East Sussex Pension Fund invests any surplus cash with the Fund's custodian, Northern Trust. Over the past 5 years, the East Sussex fund has been broadly cash flow 'neutral'. The projection for the fiscal year 2016/17 is that the fund will generate a surplus of £7.1m; the estimated cash flow position will be helped by higher employer pension contribution rates set at the last triennial valuation and payable since 1 April 2015. Table 1 below shows the cash projection to 30 September 2016.

<b>PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS</b>	<b>Original 2016/17 £m</b>	<b>Projected Outturn 2016/17 £m</b>	<b>Variance £m</b>
Employees Contributions	28.1	29.0	0.9
Employers Contributions	94.3	90.2	(4.1)
Deficit Recovery	5.2	5.0	(0.2)
Transfers In	4.0	6.4	2.4
<b>TOTAL INCOME</b>	<b>131.6</b>	<b>130.6</b>	<b>(1.0)</b>
Pensions Benefits Paid	(97.4)	(101.2)	(3.8)
Pensions Lump Sum Paid	(19.9)	(21.4)	(1.5)
Administration expenses	(2.1)	(2.1)	-
Transfers Out (excluding Probation transfer)	(5.1)	(3.1)	2.0
<b>TOTAL EXPENDITURE</b>	<b>(124.5)</b>	<b>(127.8)</b>	<b>(3.3)</b>
<b>SURPLUS CASH</b>	<b>7.1</b>	<b>2.8</b>	<b>(4.3)</b>

### 3. National Development - updates

#### Local Government Pension Scheme pooling and Funds Collaboration

#### **ACCESS Pool Proposed Governance Structure.**

3.1 The 13 October 2016 meeting of the ACCESS Chairmen focused on Governance and delegations, i.e. -

- Governance Structure (**Appendix 1**);
- Agree the Terms of Reference for the Joint Governance Committee (JGC);
- Officer Working Group remit;
- Procurement of legal advisor for Inter Authority Agreement (IAA).

3.2 The purpose of the JGC is to ensure that the strategic investment requirements of the Constituent Authority funds are being met by the pool, to monitor performance of the Operator and hold the Operator to account, set out a strategic plan, short term business plan and budget for the pool.

3.3 Governance work is ongoing on an Inter Authority Agreement between the eleven sponsoring Pension Funds. This will be a legally binding document addressing key issues such as decision making powers, voting and financial arrangements, etc. The Pool has commissioned a legal advice on the Inter-Authority Agreement (IAA) forming part of the formal governance arrangement for the pool. This agreement and the Governance structure are subject to ratification by the entire individual administering authorities in the pool, according to the applicable constitutional and governance protocols of each.

3.4 **Central Government Pooling “Green Light** - The potential costs of pooling across the Funds are significant, for example annual running costs of between £2m to £4m. The Chairmen therefore, unanimously agreed the need for confirmation from Central Government that the ACCESS pool proposals submitted in July 2016 are approved, prior to incurring further material costs on the Pooling agenda.

3.5 **Investment Pooling Governance Principles for LGPS Administering Authorities** - This month sees the launch of CIPFA’s guidance on Investment Pooling Governance Principles for LGPS Administering Authorities. Hymans Robertson’s summary is attached as **Appendix 2**. The guidance is designed to assist administering authorities in applying good governance principles as they move towards, and participate in, the new era of pooled assets. It focuses mainly on governance from the perspective of the individual authorities participating in a pool, rather than the pool’s own governance arrangements

#### **4. 2016 Employer Forum**

4.1 The East Sussex Pension Fund (ESPF) Employer Forum is scheduled for 18 November 2016 at the County Hall. The draft itinerary is attached as **Appendix 3**.

#### **5. Pension Board Agenda – February 2017**

5.1 The draft agenda for the 9 February 2017 Pension Board meeting include the following-

- Polices of the administering Authority
  - conflicts of interests
  - record-keeping/meeting attendance
  - data protection and freedom of information
- Reporting breaches
- Funding Strategy Statement
- Communications policy statement
- Funds Actuarial Valuation Report
- Pension administration statement

#### **6. Conclusion and reasons for recommendations**

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

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Background documents:

None