

Report to: **Pension Board**

Date: **8 February 2018**

By: **Chief Finance Officer**

Title of report: **Officers' Report - General Update**

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

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

**1. Introduction**

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

**2. 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 estimate for the fiscal year 2017/18 is that the fund will generate a surplus of £4.6m; 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 2016. The current/quarter three projected outturn is a deficit of £2.4m, i.e., a variation from estimate of £7.0m, mainly due to movement in the transfer 'In & Out' of the fund. In 2017/18 we had a total of 108 transfers out with an average value of £30k with 8 transfers above £100k at a total of £1.8m. Up to December 2017 the fund has had 98 transfers out at an average value of £65k with 20 transfers above £100k and a total value of £4.8m. Table 1 below shows the cash projection to 31 December 2017.

**PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS**

Employees Contributions  
Employers Contributions  
Deficit Recovery  
Transfers In

**TOTAL INCOME**

Pensions Benefits Paid  
Pensions Lump Sum Paid  
Administration expenses  
Transfers Out (excluding College transfer)

**TOTAL EXPENDITURE**

**SURPLUS CASH**

<b>Original 2017/18 £m</b>	<b>Projected Outturn 2017/18 £m</b>	<b>Variance £m</b>
28.4	28.8	0.4
82.2	81.6	(0.6)
14.1	12.6	(1.5)
8.8	7.9	(0.9)
<b>133.5</b>	<b>130.9</b>	<b>(2.6)</b>
(103.3)	(103.9)	(0.6)
(20.1)	(20.1)	0.0
(1.8)	(1.8)	0.0
(3.7)	(7.5)	(3.8)
<b>(128.9)</b>	<b>(133.3)</b>	<b>(4.4)</b>
<b>4.6</b>	<b>(2.4)</b>	<b>(7.0)</b>

**3. National Development - updates**

Local Government Pension Scheme pooling and Funds Collaboration

3.1. The ACCESS pool update has been provided through a separate report to this meeting.

**4. Markets in Financial Instruments Directive (MiFID II)**

4.1 The Markets in Financial Instruments Directive II regime came into force on 3 January 2018. The new European Union rule, introduced in response to the financial crisis of 2007, regulates the provision of financial instruments to clients of financial service companies. East

Sussex Pension Fund has gone through the process and has successfully opted up to remain a professional client.

4.2 Following the recommendation at the Pension Committee meeting on 4 September 2017, which agrees to approve delegated responsibility to the Chief Finance Officer in consultation with the Chair for the purposes of completing the applications, the ESPF submitted relevant documentations to fund managers on Friday 22 September 2017 seeking election 'opt-up' to an elected Professional Client status,

## **5. Appointment of a new Member Replacement and Vice Chairs**

5.1 As a result of an employee representative resignation from the Pension Board, Pensioners were contacted directly through letter, advertisement in local newspapers and the Council's website, seeking an expression of interest. The appointment of a new scheme member representative on the Board has now been completed.

5.2 There is provision in the terms of reference of the Pension Board for a Vice Chair but this role has not yet been appointed to. Meetings of the Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.

5.3 A Governance Committee report 'East Sussex Pension Board – Appointment of a Member Replacement and Vice Chairs' is attached as Appendix 1. This report deals with the need to appoint a replacement for scheme member's representative on the Pensions Board and to agree the nominations for a scheme member vice chair and employer vice chair, i.e., the Scheme Member nomination as Angie Embury and the employer nomination as Councillor Brian Redman.

## **6. Pension Board Agenda – May 2018**

6.1 The draft agenda for the May 2018 Pension Board meeting include the following

- LGPS Pooling – ACCESS Pool Update;
- Discretionary policy statement;
- External Assurance Reports from Third Parties;
- Bulk Transfer, Cessations and Admission policies.

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

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

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