

Report to: Pension Committee

Date: 26 February 2018

By: Chief Operating Officer

Title of report: Officers' Report - Pensions Governance and Administrations

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 report

1. Background

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	Original 2017/18 £m	Projected Outturn 2017/18 £m	Variance £m
Employees Contributions	28.4	28.8	0.4
Employers Contributions	82.2	81.6	(0.6)
Deficit Recovery	14.1	12.6	(1.5)
Transfers In	8.8	7.9	(0.9)
TOTAL INCOME	133.5	130.9	(2.6)
Pensions Benefits Paid	(103.3)	(103.9)	(0.6)
Pensions Lump Sum Paid	(20.1)	(20.1)	0.0
Administration expenses	(1.8)	(1.8)	0.0
Transfers Out (excluding College transfer)	(3.7)	(7.5)	(3.8)
TOTAL EXPENDITURE	(128.9)	(133.3)	(4.4)
SURPLUS CASH	4.6	(2.4)	(7.0)

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.

Markets in Financial Instruments Directive (MiFID II)

3.2 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.

3.3 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,

4. Ministry of Housing, Communities and Local Government (MHCLG)

4.1 DCLG will in future be known as the Ministry of Housing, Communities and Local Government (MHCLG). Rishi Sunak MP has been appointed as Marcus Jones' successor with responsibilities for the scheme and its advisory board. Rishi Sunak was appointed Parliamentary Under Secretary of State at the Ministry of Housing, Communities and Local Government on 9th January 2018.

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 Pension 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. Pensions Administration

6.1 The following items were presented to and considered by the Pension Board. A brief summary is provided for the benefit of the Committee along with any actions.

Annual benefit statement update

6.2 A report was considered outlining the planned production of the ABS's in 2018. The aim is for annual statements to be issued in a phased period between the end of May and end of July, well in advance of the statutory deadline of 31 August. Discussion took place focussed on activities that would assist in the timely delivery of the employers year-end returns as delays in this area would lead to the greatest risk of failing to deliver the ABS's within the statutory timeline. The Administration team confirmed employer engagement was starting in February this year and employers would be offered training support where appropriate to assist them in completing their responsibilities. Where there was risk of delayed returns, assistance would be sought from the Governance team and where applicable from elected members where existing employer relationships may help expedite delayed returns. (please see Appendices 2 & 3)

Preparing for General Data protection Regulation Compliance (GDPR)

6.3 A report was presented by the Information Governance Manager of ESCC providing assurance that the forthcoming legislation is unlikely to have a major effect on the underlying business of pension administration. This is primarily due to the statutory requirement to retain personal data in order to perform certain pension related services. The officer also confirmed that existing practises in the Administration function relating to data protection and breach reporting, fundamental requirements for the basis of the legislation, was robust.

Performance Indicators

6.4 Following a request by the Board at the previous meeting, various comparable administration performance indicators were provided as used by other Pension Funds, including Essex, Kent, Hants and W Sussex County Councils. Whilst the design and presentation of these reports varied somewhat, the performance targets for the East Sussex pension fund were shown to be broadly comparable with other County Council funds.

GMP reconciliation

6.5 An update report on the progress of this project was provided for consideration. Some debate took place around the remaining unreconciled cases, tolerance levels and the amount of liability expected. Further discussion took place on the additional costs of "phase 2" of the reconciliation exercise which would be required to investigate the remaining 15,000 queries. An action was taken for the Board to be provided with a more detailed list of unreconciled cases showing the effect of various tolerance levels. The administration team stressed that the remaining queries would still require some further investigation before any decisions could be made around acceptance of tolerance levels.

7. Pension Committee Agenda – 29 May 2018

7.1 The draft agenda for the 29 May 2018 Pension Committee meeting include the following

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

8. Conclusion and reasons for recommendations

8.1 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

Brian Smith, Head of Operations, 07791 423476
brian.smith@eastsussex.gov.uk