

Report to: Pension Board

Date of meeting: 8 May 2018

By: Chief Finance Officer

Title: Pension Fund Policies - Discretionary Policy Statement, Pension Fund Cessation Policy and Administration Strategy Statement

Purpose: To inform the Board of three recently updated policies of the East Sussex Pension Fund.

RECOMMENDATION

The Board is recommended to consider and comment on:

- 1) the Review of Discretionary Pension Policy Statements attached as Appendix 1;**
 - 2) the Administration Strategy Statement attached as Appendix 2; and**
 - 3) the Policy of Employers Leaving the Fund (Cessation Policy) attached as Appendix 3.**
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1. Background

1.1 Under the Local Government Pension Scheme Regulations, the Pension Fund Committee, acting as the Administering Authority of the East Sussex Pension Fund ("the Fund"), is required to produce and maintain a number of key policy documents. These policies are subject to an annual review, and this report presents the latest version of these policies to be formally noted by the Board.

2. Supporting Information

2.1 The key policies to be reviewed by the Board (and then endorsed by the Committee at its June meeting) are set out as Appendices to this report. The key issues with each policy, including any changes to the Policy is set out below.

Review of Discretionary Pension Policy Statements

2.2 Under The Local Government Pension Scheme (LGPS) Regulations 2013 each scheme employer is required to prepare and publish a written statement of its policy in relation to the exercise of its discretionary functions and send a copy of this statement to the administering authority. To support employers in the compliance of this regulation, the Fund provides a template of the statutory discretions requiring a policy.

2.3 The LGPS regulations require scheme employers to formulate and publish a policy. There has been no material change to the statements, (Appendix 1), which list the pension discretionary policies under the regulations covering -

- Statutory Admin Authority Discretions
- Non Statutory Admin Authority Discretions
- Statutory Employing Authority Discretions
- Non Statutory Employing Authority Discretions

Administration Strategy Statement

2.4 The Fund administration strategy statement of the Fund is in relation to the Local Government Pension Scheme. The strategy is kept under review and revised to reflect changes to LGPS regulations, Fund policies, dates, Fund value, increase in employers, etc. Material changes are subject to consultation with the employers, and variations must be agreed by the Fund.

2.5 The Fund will monitor the requirements of this agreement and report its findings to the East Sussex Pension Committee and Pension Board. The Fund provides a high quality pension service to members and employers, to ensure members receive their correct pension benefits. This is best achieved where the Fund and the employers are clear about their roles and responsibilities and work in partnership. The attached document (Appendix 2) sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. In particular it sets out:

- The roles and responsibilities of both the Fund and the employers within the Fund;
- The level of service the Fund and employers will provide to each other;
- The performance measures used to evaluate the level of service.

Policy for Employers Leaving the Fund (Cessation Policy)

2.6 This is the policy (Appendix 3) of the Fund as regards the treatment of employers on termination of their participation in the Fund. It covers the methodology for calculation and payment of any deficit on leaving the Fund (via a “cessation valuation”). It has been prepared by the Administering Authority, in collaboration with the Fund’s Actuary, Hymans Robertson LLP. This policy applies to all past, current and future employers participating in the Fund.

2.7 The methodology set out in this policy is the Fund’s preferred treatment of exiting employers. Alternative arrangements for cessation valuations including delaying the calculation or payment of a cessation debt beyond the date the last active leaves the Fund, will only be considered in exceptional circumstance, and must be agreed by Chair of the Pension Committee and the Council’s Section 151 Officer. Exceptional circumstances will include situations where immediate payment of a cessation debt would result in an insolvency event for the exiting employer.

2.8 The main changes to the Cessation Policy include:

- Wording added to cover suspension notices in case the Fund decides to make use of them
- To help manage the Fund’s “risky employers”, and to reflect the general LGPS trend towards more flexible cessation management, section 3 now has an extra clause covering post cessation funding agreements (but only at the Fund’s discretion).
- Updates to allow for changes to assumptions at the 2016 valuation.

3. Conclusion and reasons for recommendations

3.1 The Board is recommended to consider and comment on the revised policy documents as set out in Appendices 1-3 to this report, noting the main changes in the documents.

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Background Documents
None