

Report to: **Pension Committee**

Date of meeting: **26 November 2018**

By: **Head of Pensions**

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

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

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 6 years, the East Sussex fund has been broadly cash flow 'neutral'. The estimate for the fiscal year 2018/19 is that the fund will generate a surplus of £3.7m; 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 two projected outturn is a surplus of £3.8m, i.e., a variation from estimate of £0.1m. Table 1 below shows the cash projection to 30 September 2018.

PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS	Original 2018/19 £m	Projected Outturn 2018/19 £m	Variance £m
Employees Contributions	29.3	30.2	0.9
Employers Contributions	82.6	87.4	4.8
Deficit Recovery	17.6	15.6	(2.0)
Transfers In	7.4	6.2	(1.2)
TOTAL INCOME	136.9	139.4	2.5
Pensions Benefits Paid	(105.0)	(108.2)	(3.2)
Pensions Lump Sum Paid	(22.7)	(22.0)	0.7
Administration expenses	(1.8)	(1.8)	0.0
Transfers Out (excluding College transfer)	(3.7)	(3.6)	0.1
TOTAL EXPENDITURE	(133.2)	(135.6)	(2.4)
SURPLUS CASH	3.7	3.8	0.1

3. National Development - updates

3.1. The ACCESS pool update has been provided through a separate report (Part 2) at this meeting.

4. Exit Credits

4.1 The LGPS (Amendment) Regulations 2018 amended the LGPS 2013 Regulations to provide for the payment of an exit credit to an exiting employer where, at the exit date, that employer's assets in the fund exceed the liabilities.

4.2 The introduction of exit credits has an immediate consequence for the way that the Fund manages employers through participation and at cessation. In order to prepare and comply with the regulation changes there are a range of factors the Fund needs to consider in terms of its funding strategies, policies, and communications with stakeholders. Under particular consideration will be on the Fund's current approach to admit new contractors. The Fund is currently drafting the changes to the Funding Strategy Statement (FSS), applicable policies and admission agreements to reflect this change.

5. Reporting Breaches Log

5.1 The Fund maintains a log of all breaches of the law as applicable to the management and administration of the Fund. It is necessary that all incidents of breaches identified are recorded in the Fund's breaches log, and the log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour on an ongoing basis.

5.2 The updated breaches log (Appendix 1) has been updated with the following breaches –

- a. *Employer, Gildredge House failed to provide EOY return by 31/8/18 preventing ability to issue ABS.*
- b. *Some Active member annual benefit statements were not issued prior to the statutory deadline of 31/8/2018.*

5.3 These breaches have now been reported to the Pension Regulator (tPR) in compliance with the Fund Breaches Policy, and in consultation with the Monitoring Officer and the S151 Officer.

6. Pension Committee Agenda – 25 February 2019

6.1 The draft agenda for the February 2019 Pension Board meeting include the following

- LGPS Pooling – ACCESS Pool Update;
- Officers' Report - Business Operations;
- Officers' Report - General Update;
- Pension Committee/Board Training Plan;
- Administration system procurement plan/update;
- Communications policy statement;
- Reporting Breaches;
- Investment Strategy Statement;
- Separation of host authority and pension fund;
- East Sussex Pension Fund 2018/19 Budget monitoring and 2019/20 Budget;
- External Audit Plan - East Sussex Pension Fund.

7. Conclusion and reasons for recommendations

7.1 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