

Report to: **Pension Board**  
Date: **8 September 2015**  
By: **Chief Operating Officer**  
Title: **Officers' Report – General Update**  
Purpose: **To provide a general update to Members of the Pension Board on matters related to the Board activity.**

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## **RECOMMENDATIONS**

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

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### **1. Introduction**

1.1 This report provides an update on matters relating to the Panel 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 2015/16 is that the fund will generate a surplus of £3.6m, 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 2015. Table 1 below shows the cash projection to 31 March 2016.

#### **PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS**

Employees Contributions
Employers Contributions
Deficit Recovery
Transfers In
<b>TOTAL INCOME</b>
Pensions Benefits Paid
Pensions Lump Sum Paid
Administration expenses
Transfers Out (excluding Probation transfer)
<b>TOTAL EXPENDITURE</b>
<b>SURPLUS CASH</b>

<b>2015/16 £m</b>	<b>Forecast 2015/16 £m</b>	<b>Variance £m</b>
27.4	27.4	0.0
87.5	89.2	1.7
3.5	3.2	(0.3)
5.8	5.4	0.2
<b>124.2</b>	<b>125.2</b>	<b>1.0</b>
(97.7)	(97.5)	0.2
(17.4)	(18.6)	(1.2)
(2.2)	(2.2)	0
(3.4)	(3.3)	0.1
<b>(120.7)</b>	<b>(121.6)</b>	<b>(0.9)</b>
<b>3.5</b>	<b>3.6</b>	<b>0.1</b>

### **3. National Development - updates**

#### Local Government Pension Scheme pooled investments

3.1 The Chancellor has announced that the government will work with LGPS administering authorities to ensure that they pool investments "to significantly reduce costs, while maintaining overall investment performance". The announcement follows a previous consultation by the Department for Communities and Local Government, which seeks opinion on whether common

investment vehicles (CIVs) would achieve economies of scale for listed and alternative investments.

3.2 The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings, and it is expected that a consultation will be published later this year setting out detailed criteria for the proposals. However, it is believed that the government would also publish “backstop” legislation, which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.

3.3 Officers are currently in discussion with other neighbouring authorities to consider the need to pool investment. In addition, the Scheme Advisory Board have arranged the opportunity for LGPS funds to put questions directly to government officials and to hear how the process will work leading up to draft legislation and onto implementation. Questions to be raised include –

- The objectives of the summer budget announcement on pooled investment in the LGPS?
- How much say will the administrative authorities have in the outcome?
- What will the criteria be and what will the back stop legislation look like?

#### Consultation on a public sector exit payment cap

3.4 The Government announced a consultation capping the total amount of redundancy and other exit payments (including employer pension costs) that can be made to individuals leaving the public sector to £95,000. This is in response to its concern over the increasing cost to the tax payer of financing early retirement packages in recent years. In terms of local government the proposal is that the £95,000 cap would include the aggregate of:

- pay in lieu of notice;
- redundancy payments (including any enhancements over and above statutory limits);
- other severance payments (including ex-gratia and special severance payments, whether or not as part of an Employment Tribunal claim);
- the employer cost of funding redundancy and efficiency retirements as well as other voluntary early retirements (i.e. “funding strain”); and
- pay in lieu of outstanding annual leave.

3.5 This consultation seeks views on the scope, level and design of this cap. The table below offers a summary of the key features of the government’s proposal. The closing date for responses to the consultation was 27th August 2015.

#### **4. Investment Manager Fees**

4.1 In the light of the on-going consultation, pressures on fund managers to reduce their fees are growing and comparisons are difficult because fees vary according to different investment strategies. A separate report that considers this issue is attached.

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

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

**KEVIN FOSTER**

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#### LOCAL MEMBERS

All

#### BACKGROUND DOCUMENTS

None