

**Report to:** Pension Board

**Date:** 3 November 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.

**RECOMMENDATIONS – The Board is recommended to note the update.**

**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 £4.9m; 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.

<b>PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS</b>	<b>2015/16 £m</b>	<b>Forecast 2015/16 £m</b>	<b>Variance £m</b>
Employees Contributions	27.4	29.0	1.6
Employers Contributions	87.5	89.5	2.0
Deficit Recovery	3.5	5.1	1.6
Transfers In	5.8	6.7	0.9
<b>TOTAL INCOME</b>	<b>124.2</b>	<b>130.2</b>	<b>6.1</b>
Pensions Benefits Paid	(97.7)	(97.8)	(0.1)
Pensions Lump Sum Paid	(17.4)	(20.2)	(2.8)
Administration expenses	(2.2)	(2.2)	0.0
Transfers Out (excluding Probation transfer)	(3.4)	(5.2)	(1.8)
<b>TOTAL EXPENDITURE</b>	<b>(120.7)</b>	<b>(125.4)</b>	<b>(4.7)</b>
<b>SURPLUS CASH</b>	<b>3.5</b>	<b>4.9</b>	<b>1.4</b>

**3. National Development - updates**

Local Government Pension Scheme pooling and Funds Collaboration

3.1 The government is aiming to have fewer, large pools of assets – preferably around six, but there is an understanding that the government is open to non-regional solutions if the evidence stacks up. The objective is to deliver further cost savings from running LGPS investments more efficiently.

3.2 The Chancellor's announcement places more emphasis on infrastructure investment as part of the current consultation. In addition to the expected primary criteria on pooling

(governance, scale and savings) we might expect the criteria to make some explicit reference to making it easier and more cost effective to invest in infrastructure.

- 3.3 Officers are currently in discussion with other neighbouring authorities to consider the need to pool investment. Hymans has established a Joint Working Group (JWG) of which the fund is a participant to deliver evidence based, authoritative analysis of pooling options, and enables LGPS stakeholders to agree one or a small number of pooling options which satisfy the government's criteria. *(Attached as **Appendix 1** is the Hymans Robertson presentation on- Pooling of LGPS Investment and Collaboration).*

#### **4. What is MiFID and its objective?**

- 4.1 MiFID is the Markets in Financial Instruments Directive. The directive sets out conducts of business and organisational requirements for investment firms, authorisation requirements for regulated markets, regulatory reporting to avoid market abuse, trade transparency obligation for shares, and rules on the admission of financial instruments to trading. The aim was to strengthen the single market for investment services and activities, thereby harmonising investor protection and increasing competition in financial markets.

#### **The MiFID II and its impact on LGPS investments**

- 4.2 Under MiFID II local authorities will be defaulted to retail client status - currently they are professional clients. As a retail client the fund could be faced with a much reduced pool of asset managers and consultants willing to provide services, many may not deal with retail clients at all. There will be the opportunity to elect for professional client status. It is expected that MiFID II rules will come into effect for all investment firms from January 2017.

#### **5. Annual Employers Forum –**

- 5.1 This year's Annual Employers Pension Forum for the East Sussex Pension Fund which will be held at County Hall, Lewes on 20<sup>th</sup> November 2015. This is an opportunity to meet with representative on the newly constituted Pension Board and the Pension Committee members. In addition there will be a presentation by the Fund Investment Consultant on the Investment Performance, DCLG new initiative on Investment Pooling, Funds Collaboration ideas, and the Fund Actuary will provide an LGPS update.

#### **6. Pension Fund – Risk Register**

- 6.1 The Risk Register highlights the key risks in relation to the East Sussex Pension Fund, the current processes in place to mitigate the risk, and the planned improvements to provide further assurance. The Pension Committee at its next meeting will approve the Pension Fund Risk Register.
- 6.2 Monitoring of the Risk Register will be an important role for the Pension Board, and future reports on the Risk Register will be taken to the Pension Board for consideration before the Pension Committee for approval.

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

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

**KEVIN FOSTER**  
**Chief Operating Officer**

Contact Officers: Ola Owolabi, Head of Accounts and Pensions  
Tel: 01273 482017  
Email: [ola.owolabi@eastsussex.gov.uk](mailto:ola.owolabi@eastsussex.gov.uk)

LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None