

Report to: **Pension Committee**

Date: **24 November 2015**

By: **Chief Operating Officer**

Title: **General Update**

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

RECOMMENDATIONS – The Committee is recommended to note the update

1. Introduction

- 1.1 This report provides an update on matters relating to the East Sussex Pension Fund (ESPF) activities.

2. Report Overview

Cash Flow Forecast and Summary

- 2.1 The ESPF invests any surplus cash with the Fund's custodian, Northern Trust. Over the past 5 years, the ESPF 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.

PENSION FUND DEALINGS WITH MEMBERS AND EMPLOYERS

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
TOTAL INCOME	124.2	130.2	6.1
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)
TOTAL EXPENDITURE	(120.7)	(125.4)	(4.7)
SURPLUS CASH	3.5	4.9	1.4

	2015/16 £m	Forecast 2015/16 £m	Variance £m
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
TOTAL INCOME	124.2	130.2	6.1
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)
TOTAL EXPENDITURE	(120.7)	(125.4)	(4.7)
SURPLUS CASH	3.5	4.9	1.4

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 Local Government Pension Scheme (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 Robertson has established a Joint Working Group (JWG) of which the fund is a participant. The joint working group objectives are -
- To deliver evidence based, authoritative analysis of pooling options;
 - To enable LGPS stakeholders to agree one or a small number of pooling options which satisfy the government's criteria;
 - To form a basis of discussion between LGPS administering authorities and government
- 3.4 While the Government starting point is six regional pools, possible models that the groups are considering for pooling include -
- Five regional pools
 - Five mutual co (internal management)
 - Five pools based on asset type
 - Regional "plus"
 - Pools based on liabilities e.g. academies pool
 - Mixed economy?
- 3.5 Timescales:
- October 2015 -JWG data gathering and first cut analysis
 - November 2015 -Government publish criteria
 - Christmas 2015 -JWG draft report to government
 - Early to mid - January 2016 -Final JWG report
 - Jan to early Feb 2016 -Government seeks views on pooling options
 - March 2016 -Budget
 - Implementation of structures within three years
 - Savings assessed over 10 years

4. Annual Employers Forum

- 4.1 This year's Annual Employers Pension Forum for the East Sussex Pension Fund was held at the County Hall, Lewes on 20 November 2015. It was 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, the Department for Community and Local Government's (DCLG) new initiative on Investment Pooling, Funds Collaboration ideas, and the Fund Actuary will provide an LGPS update.

5. Conclusion and reasons for recommendations

- 5.1 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

LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None