

Report to: **Pension Board**

Date: **4 February 2016**

By: **Chief Operating Officer**

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

Purpose of report: **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 Board activities.

2. Report OverviewCash 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 £2.7m; 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 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

TOTAL INCOME

Pensions Benefits Paid

Pensions Lump Sum Paid

Administration expenses

Transfers Out (excluding Probation transfer)

TOTAL EXPENDITURE

SURPLUS CASH

Original 2015/16 £m	Current 2015/16 £m	Variance £m
27.4	28.2	0.8
87.5	88.4	0.9
3.5	5.2	1.7
5.8	4.4	(1.4)
124.2	126.2	2.0
(97.7)	(98.1)	(0.4)
(17.4)	(18.4)	(1.0)
(2.2)	(2.2)	0.0
(3.4)	(4.8)	(1.4)
(120.7)	(123.5)	(2.8)
3.5	2.7	(0.8)

3. National Development - updatesLocal Government Pension Scheme pooling and Funds Collaboration

3.1 The Government has signalled its clear intention that LGPS investment assets should be pooled, there will be no exemptions from pooling, and all local decision making on manager selection will come to an end. That action will be taken should local funds fail to engage sufficiently with the agenda.

3.2 A paper on the LGPS pooling was presented to the Pension Committee at its September – investment strategy day meeting, and presentation on LGPS investment pooling by Hyman’s at the Committee meeting on 24 November 2015. At its November meeting, the Committee requested that officers continue to consider investment pooling and collaboration options/proposals that will meet the Government reform criteria, which was considered at its special meeting on 12 January 2016.

3.3 The Committee resolved to:

- note the DCLG Criteria regarding the LGPS Investment Pooling Proposals and Consultation on the Investment Regulations;
- approve two investment pools for further consideration;
- authorise the Chief Finance Officer to consult with agreed like-minded funds to draft the consultation response for review and approval by the Pension Committee on 8 February 2016.

4. 2016 Actuarial Valuation

4.1 The East Sussex Pension Fund (ESPF) is subject to an actuarial valuation every three years. The last valuation of the Fund was in 2013 with the next valuation to be undertaken as at 31 March 2016. The basic purpose of the valuation is to assess the Fund’s assets and liabilities and calculate the rate of each employer’s contribution rate for the three years from April 2017. (Timetable and road map attached as Appendix 1 & 2)

5. Changes to Membership and Other Membership matters

5.1 The details of bodies that have ceased or been admitted to the fund under the CFO delegation within the last six months is attached as Appendix 5.

6. GMP Reconciliation

6.1 The Fund has an obligation to ensure we are paying the correct level of Guaranteed Minimum Pension (GMP) now and in the future. A GMP reconciliation gives the Fund the confidence that the correct level of benefits have been secured and that the membership entitled to benefits from the Scheme is clearly defined. A GMP data cleansing exercise is in line with best governance practice.

6.2 A GMP Comparison Report for East Sussex Pension Fund is attached (Appendix 3), which summarises the results of the independent Guaranteed Minimum Pension (GMP) comparison undertaken by ITM Limited (ITM) for the Fund. GMP reconciliation can be thought of as a 2 stage process. The first stage comprises a population reconciliation in order to compare the membership data, while the second part of the process is the GMP value reconciliation itself. The analysis suggests there is a significant amount of work required to reconcile the data and it highlights the importance of undertaking a reconciliation exercise. The Fund and the administration need to meet to consider the next steps in how to take this exercise forward.

7. Public Sector Recovery of Exit Payments Regulations

7.1 The Government issued draft regulations on 21st December 2015 (Appendix 4) concerning the recovery of Exit Payments made to those employees with the public sector and

returning to the same within a period of 12 months. The Regulations are **due to take effect from April 2016**. This matter was the subject of consultation some 12 months ago and subsequent to the governments own 'post consultation' response, there have been some further significant changes announced in the latest and final consultation. These changes include:

- lowering the minimum earnings threshold for individuals subject to the recovery provisions from £100,000 to £80,000
- applying the policy to qualifying returns to any part of the public sector, instead of only returns to the same part of the public sector
- the recovery amount will be reduced over time for a return at any point up to 12 months from exit
- and recovery will include employer funded pension 'top up' payments made under the Local Government Pension Scheme to align with the recovery of other similar payments.

7.2 The draft regulations consultation closed on **25th January 2016**.

8. Pension Board Agenda – May 2016

8.1 The draft agenda for the next Board meeting include the following-

- Reporting Breaches Policy and Procedure (previously scheduled for February meeting)
- Key member and employer communications
- Pension administration statement
- Discretionary policy statement
- External Assurance Reports from Third Parties
- Annual Report
- Internal dispute resolution procedure

9. Conclusion and reasons for recommendations

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

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Local Member(s):

All

Background documents:

None