

Report to: Pension Committee

Date: 31 May 2016

By: Chief Operating Officer

Title: Officers' Report – General Update

Purpose: To provide a general update to Members of the Pension 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 Pension Committee 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 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 £4.8m; 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 | Original 2015/16 £m | Projected Outturn 2015/16 £m | Variance £m |
|---|------------------------------------|---|------------------------|
| Employees Contributions | 27.4 | 27.9 | 0.5 |
| Employers Contributions | 87.5 | 87.3 | (0.2) |
| Deficit Recovery | 3.5 | 5.1 | 1.6 |
| Transfers In | 5.8 | 3.7 | (2.1) |
| TOTAL INCOME | 124.2 | 124.0 | (0.2) |
| Pensions Benefits Paid | (97.7) | (98.3) | (0.6) |
| Pensions Lump Sum Paid | (17.4) | (20.1) | (2.7) |
| Administration expenses | (2.2) | (1.8) | 0.4 |
| Transfers Out (excluding Probation transfer) | (3.4) | (5.1) | (1.7) |
| TOTAL EXPENDITURE | (120.7) | (125.3) | (4.6) |
| SURPLUS CASH | 3.5 | (1.3) | (4.8) |

3. National Development - updates

Local Government Pension Scheme pooling and Funds Collaboration

3.1 The Committee at its meeting on 8 February 2016 considered and agreed that the fund will join ACCESS (i.e., A Collection of Central, Eastern and Southern Shires) as the preferred option for the Fund, working with other like-minded funds within the ACCESS Group to create a pool of over £30bn in size, with which the consultation response was submitted.

3.2 The ACCESS pool will be established on a multi-asset basis, and ensure the majority of fee savings can be achieved but still allow individual participating funds to make a meaningful contribution to the governance of the pool.

3.3 The Government's investment reform programme is ambitious and the risks should not be underestimated. ACCESS is keen to explore LGPS-wide collaboration for the creation of a national infrastructure investment platform, to share best practice and to manage transitions.

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.

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 three months is attached as Appendix A.

6. Joint Pension Committee/Board Agenda – Annual Strategy Day 18th July 2016

6.1 The draft agenda for the next Committee meeting include the following-

- Training session - Triennial valuation and investment strategy
- What is and why have a pension fund investment strategy review/day?
 - Review of performance (based on WM local authorities performance)
 - Current market environment (Longview)
 - Setting the Fund's investment strategy
 - Potential Fund issues
 - Environmental, Social and Governance
- Formal Committee meeting – Approval of the Accounts

7. Conclusion and reasons for recommendations

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

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Background Documents

None