



East Sussex Pension Fund

Local Government Pension Scheme (LGPS)

ESFOA Pensions Update

June 2016

East Sussex Pension Fund External Investments

The Fund outperformed its aggregate benchmark during the first quarter of 2016, returning 2.7% in absolute terms. Over the 12 month period the Fund delivered a positive absolute return of 1.6% ahead of benchmark by 1.2%.

The first six weeks were turbulent for equity and credit markets. The FTSE All World index plummeted over 12%, before rebounding impressively to finish the quarter down 1.3%. As a result of continued weakness in sterling, returns to unhedged UK investors were around 4.3% higher. The defensive qualities of government bonds were in demand and they delivered positive returns over the period.

The nervous start to 2016 reflected various global economic concerns such as the slowdown in China and the US, along with the continuing oil price collapse. This anxiety abated as the quarter wore on, with sentiment buoyed in part by some signs of stabilisation in China.

The table below sets out a portfolio summary of each fund manager:

Manager	Mandate	Investment Style	Date Appointed	Value £m 30 Apr 2016
M&G	Bonds	Value	01/01/97	182.5
L & G	Passive	Passive	21/11/07	819.2
Ruffer	Multi Asset	Absolute Return	11/05/10	242.3
Newton	Multi Asset	Absolute Return	11/05/10	254.1
Schroders	Property	-	20/02/10	327.7
Longview	Global Equity	Neutral	19/04/13	179.3
State Street	Passive	Fundamental Indexation	06/08/13	489.5
Alternative * Investments	Various	-	Various	223.8
Northern Trust	Cash	-	01/09/02	54.6
Total				2,773.0

* Includes Infrastructure & Private Equity

Fund Value at 31 March 2016	Fund Value at 31 March 2015	Fund Value at 31 March 2014
£2,766.6m	£2,741.7m	£2,476.3m

2016 Valuation Planning

Work continues to be undertaken on the 2016 Valuation by the Fund and its administration. The deadline for returning the year end data to the pension's administration team has now passed (deadline 3rd May 2016). The pension's administration team should be in contact with employers within the coming weeks regarding any data queries to ensure clean and accurate data.

Governance compliance

A year on from the introduction of the new governance arrangements many Funds have received an email from the Pensions Regulator seeking confirmation they have been assessed against the requirements of the Public Service Pensions Act 2013 and the Regulator's Code of Practice 14. This has been directed as part of the outcome of the Regulator's survey last year on the governance and administration of public service pension schemes. The East Sussex Pension Fund governance team welcome such surveys and continue to ensure best practices through good governance compliance reviews ahead of the Regulator's next planned survey. For information you can see the full Regulator's survey from last year here, [survey](#).

Employer Satisfaction Survey

The Fund will be inviting employers within the coming months to take part in an employer survey. The East Sussex Pension Fund will be asking employers in the Fund to complete the survey with an aim to measure employers satisfaction overall in the service they receive.

Consultation on amendment regulations

On Friday 27th May, DCLG commenced a 12 week consultation on a number of important changes to the Local Government pension Scheme in England and Wales. The consultation, along with the Draft Local Government Pension Scheme (Amendment) Regulations 2016, can be found under Drafts and Consultations on www.lgpsregs.org. The East Sussex Pension Fund will be considering a response to this consultation over the coming weeks and will share this employer's in due course.

LGPC Bulletins & Circulars

There have been two LGPC bulletins issued since the last ESFOA meeting. These bulletins contained various pieces of information on a wide range of issues but those that may be of interest to employers are –

- **New LGPS member website**

The new LGPS member website for the LGPS in England and Wales is now live and can be accessed at www.lgpsmember.org.

- **Exit payment recovery – delay in implementation**

Earlier this year there was a Government consultation on draft regulations covering the recovery of exit payments. Under the proposed reforms, when a person leaves a relevant public sector employment with a salary of £80,000 or higher and subsequently rejoins another part of the public sector within 12 months, they may have to pay a proportion of the exit payments they received back to their prior employer.

It was expected that the reforms would take effect from April 2016. However, the draft regulations have yet to be passed, and the exit payment recovery provisions will not take effect until these are on the statute books. Whilst the Government haven't stated when they now

expect the reforms to take effect, we understand that they hope to have laid the regulations before Parliament before the start of summer recess in July.

- **Enterprise Act 2016**

The Enterprise Bill received Royal Assent in May and is now the Enterprise Act 2016. The Act provides the legislative framework for the introduction of the £95k cap on public service exit payments which it is expected will become effective later this year, but no earlier than 1st October. We now await HM Treasury regulations which are due to provide further detail on how the cap will work in practice (and which will confirm the cap's implementation date). HM Treasury directions are also expected providing detail of the circumstances in which the cap may be relaxed by permitted bodies. We expect regulations to include local authorities as such permitted bodies having the power to relax the cap in certain circumstances.

IDRP

The IDRPs guide and the stage 1 and 2 application forms on the website have been updated. The guide and application forms can be found on the following webpage: <https://www.eastsussex.gov.uk/jobs/workinggateastsussexcountycouncil/pensions/existingmembers>

Historically, the ESPF has dealt with appeals at stage 1 on behalf of the employer. We are happy to continue providing this service however if you would rather respond to stage 1 appeals as the employer yourself, please let us know.

Pensions Board update

At the Pension Board meeting held on the 12 May 2016, agenda items considered included the draft Pension Fund Annual Report 2015/16, policies of the administering authority and the Pension Board Forward Plan 2016/17. The full agenda and minutes of this meeting are available on ESPF website using through the link below.

We will keep you updated in respect of the pension board future activities accordingly. In the meantime if you require further information you can visit the East Sussex County Council Website:

<https://www.eastsussex.gov.uk/jobs/workinggateastsussexcountycouncil/pensions/financial/>

Contact Details

Any queries concerning the contents of this ESFOA update should be directed to:

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