



East Sussex Pension Fund

Local Government Pension Scheme (LGPS)

ESFOA Pensions Update

February 2017

East Sussex Pension Fund External Investments

The LGPS Investment of assets pooling initiative has dominated at both the national and local level. Administering Authorities have worked collaboratively with their Pool colleagues to continue work on creating these asset pools. The East Sussex Pension Fund is a joint signatory on the ACCESS Pool proposal and the County Council has already signed a Memorandum of Understanding (MoU) with the 10 other authorities in the Pool to underpin the initial work of establishing the Pool. The Pool is comprised of the following Funds: Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. The Government target for these Asset Pools to be up and running from 1st April 2018.

We will update you on future developments of the ACCESS Pool.

East Sussex Pension Fund – current structure

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

Manager	Mandate	Investment Style	Date Appointed	Value £m 31 December 2016
M&G	Bonds	Value	01/01/97	197
L & G	Passive	Passive	21/11/07	1,003
Ruffer	Multi Asset	Absolute Return	11/05/10	294
Newton	Multi Asset	Absolute Return	11/05/10	280
Schroders	Property	-	20/02/10	319
Longview	Global Equity	Neutral	19/04/13	221
State Street	Passive	Fundamental Indexation	06/08/13	631
Alternative * Investments	Various	-	Various	262
Northern Trust	Cash	-	01/09/02	22
Total				3,229

* 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

The employer schedules detailing the split between the Primary and Secondary contribution rates have now been issued to all Employers. These schedules detail the contribution rates required by Employers from 1 April 2017. If you have not received your schedule or wish to discuss your schedule, please contact the Fund.

Funding Strategy Statement – Consultation

The consultation period on the Fund's Funding Strategy Statement (FSS) closes on Thursday 23 February 2017. The FSS focuses on how employers' liabilities are measured, the pace at which these liabilities are funded and how employers or pools of employers pay for their own liabilities. Employers were provided with a copy in January 2017 and are invited to feedback any comments they may have for consideration.

2017/18 Employee contribution bandings

In recent weeks the Fund has been receiving some enquiries from Employers regarding the employee contribution rate bandings for 2017/18. The September 2016 rate of CPI was 1.0% and Government policy in recent years has been to base pensions increase under the Pensions (increase) Act 1971 on the September rate of CPI for the previous year. Given this we expect that 2017's pension increase will apply at a rate of 1.0% and employee contribution bandings will be uprated at the same rate. However formal confirmation has yet to be given. The LGPS Secretariat has approached HM Treasury about this and asked that confirmation be provided as soon as possible. The Fund will advise employers as soon as this confirmation becomes available.

HMRC – GMP reconciliation & LGPS Pension Funds

The Guaranteed Minimum Pension (GMP) data reconciliation exercise, which all public service pension schemes, including the LGPS, are undertaking is to be completed by December 2018. The purpose of this exercise is to ensure that records held by the Scheme (pension Fund) and by HMRC, in relation to periods of contracted-out employment, are correct.

HMRC have recently provided the LGPS Secretariat with an update on where LGPS Pension Funds are up to with the reconciliation of their deferred and pensioner GMP records. HMRC are currently in the process of performing the closure scan for active member GMP records and this will be sent to those Pension Funds who have completed the scan between January and March 2017. We understand that a closure scan for active member GMP records has recently been provided to the HMRC on behalf of the Fund.

LGPS Bulletins & Circulars

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

Scheme advisory board meeting – 6 December 2016

The Local Government Pension Scheme Advisory Board (SAB) met on 6 December 2016. An update following this meeting is provided on the [Board website](#).

Automatic enrolment thresholds for 2017/18

The Government has published its review of the 2017/18 bands and thresholds for automatic enrolment. The proposed rates for 2017/18 are as follows, compared to 2016/17:

	Trigger	Lower limit qualifying earnings band	Upper limit qualifying earnings band
Current (2016/17)	£10,000	£5,824	£43,000
Proposed (2017/18)	£10,000	£5,876	£45,000

Exit payment cap – Enterprise Act 2016 commencement order

On 24th January, HM Treasury issued [SI2017/70](#), the Enterprise Act 2016 (Commencement No. 2) Regulations 2017, effective from 1st February 2017.

The regulations commence certain parts of the Enterprise Act 2016 including changes to the Small Business, Enterprise and Employment Act 2015, which enable the £95k exit payment cap to be introduced. However, the commencement order does not itself bring the exit payment cap into effect, but merely allows the Government to make regulations providing for the introduction of the cap.

The LGPC Secretariat remain of the understanding that HM Treasury plan to undertake a further consultation on draft regulations covering the cap before this becomes effective.

Pensions Board update

At the Pension Board meeting held on the 9 February 2017, agenda items considered included External Audit Plan for ESPF 2016/17 and Reporting Breaches policy. Joint Pension Board and Committee training took place at the latter part of January 2017, the training session included items on Safeguarding Assets, the Investment Strategy Statement (ISS) and Guaranteed Minimum Pension (GMP) reconciliation exercise. The full agenda and minutes of the meeting held on the 9 February 2017 are available on ESPF website using through the link below.

The full agenda and minutes of this meeting will be available on ESPF website after the meeting following the link: <https://www.eastsussex.gov.uk/jobs/benefits/pensions/download/>

Contact Details:

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

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