



East Sussex Pension Fund

Local Government Pension Scheme (LGPS)

ESFOA Pensions Update

December 2016

East Sussex Pension Fund External Investments

Global equity markets rose over the quarter – the FTSE All World index returned 5.1% in local currency terms. In the UK, the FTSE 100 rose by 7.1%, boosted by weak sterling and robust UK economic data.

The Fund as a whole outperformed its aggregate benchmark by 0.4% during the third quarter of 2016, returning 5.9% in absolute terms. Over the 12 month period the Fund delivered a positive absolute return of 20.4% ahead of benchmark which achieved 17.5%.

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

Manager	Mandate	Investment Style	Date Appointed	Value £m 31 Oct 2016
M&G	Bonds	Value	01/01/97	194.8
L & G	Passive	Passive	21/11/07	988.2
Ruffer	Multi Asset	Absolute Return	11/05/10	265.9
Newton	Multi Asset	Absolute Return	11/05/10	264.7
Schroders	Property	-	20/02/10	321.4
Longview	Global Equity	Neutral	19/04/13	212.8
State Street	Passive	Fundamental Indexation	06/08/13	607.7
Alternative * Investments	Various	-	Various	255.3
Northern Trust	Cash	-	01/09/02	67.4
Total				3,178.2

* 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 initial whole Fund results of the Fund valuation were shared at the Employer Forum on 18th November 2016. The funding level for the whole Fund has increased to 92% from 81% at the 2013 Valuation.

Each employer in the Fund should have also now received via Email a copy of their initial results schedule containing the total contribution rate payable from 1 April 2017 onwards. Please note, these schedules contain the total contribution rate only, the Fund will be issuing a secondary schedule to Employers detailing the split of the total contribution rate between primary and secondary amounts.

LGPC Bulletins & Circulars

There has been one LGPC bulletin issued since the last ESFOA meeting. The bulletin contained various pieces of information on a wide range of issues but those that may be of interest to employers are –

- Government publish response to college insolvency consultation

Following the Government consultation undertaken earlier this year to introduce insolvency provisions for further education and sixth form colleges in England, the Department for Education has [published its formal response](#).

The response notes that the LGPS was a common issue raised in responses and the Government respond to a number of the concerns raised about the potential impacts on the LGPS on pages 27 and 28 of the document. In particular, the Government's views are as follows:

- Following the area review process, the risk of college insolvency will be very low and the special administration regime (SAR) will be a tool of last resort.
- However, in the event of a college insolvency event, most cases would not result in the crystallisation of a pensions deficit as there would be a merger with, or transfer to, another provider.
- Pension funds should nevertheless assess the strength of each employer's covenant.
- Providing guarantees from Government for college liabilities would not be appropriate as colleges do not form part of the public sector. The comparison with academies, for whom the Government does provide a limited guarantee, is therefore not fitting because academies are public bodies.
- During an insolvency event, the Government would consider whether ongoing pension contributions should form part of the costs of administration to be funded by Government.

- **Government drops plan to convert all schools to academy status**

It was reported on 27 October 2016 that the Government had dropped its bill to require all schools in England to convert to academy status by 2022. The Government are still of the view that schools would benefit from the freedom and autonomy that academy status brings, but they will now focus their efforts on encouraging.

- **Publication of LGPS (E&W) statistics 2015/16**

Following the completion of 2015/16 data collection forms by LGPS administering authorities in England and Wales, DCLG have published their results. The key points from the England release are:

- Total Local Government Pension Scheme expenditure in England in 2015-16 was £10.0 billion. On a like-for-like basis the increase was £0.6 billion or 6.1%
- Total Local Government Pension Scheme income in England in 2015-16 was £12.4 billion. On a like-for-like basis the decrease was £0.2 billion or 1.4%.
- Employers' contributions to the Local Government Pension Scheme in 2015-16 amounted to £6.6 billion and employees' contributions to the scheme were £2.0 billion.
- The market value of the Local Government Pension Scheme funds in England at the end of March 2016 was just over £200 billion.
- The Local Government Pension Scheme in England encompasses more than 5.06 million people. Of this number, 1.8 million are employees who are still contributing to the scheme, 1.5 million are pensioners and 1.8 million are former employees who are entitled to a pension at some time in the future

Pensions Board update

At the Pension Board meeting held on the 3 November 2016, agenda items considered included a report on the LGPS Management & Investment of Funds Regulations 2016 and Investment Strategy Statement (ISS), an update on the Pension Fund Risk Register, a report on the Internal Audit report carried out on Pension Fund Governance and Investments and a report on the draft results of the ESPF Actuarial Valuation.

The full agenda and minutes of this meeting are 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:

Wendy Neller

Pensions Strategy and Governance Manager

East Sussex County Council,

St Anne's Crescent, Lewes,

East Sussex BN7 1UE

Email: Pensions@eastsussex.gov.uk