



# East Sussex Pension Fund

## Local Government Pension Scheme (LGPS)

### ESFOA Pensions Update

October 2016

#### East Sussex Pension Fund External Investments

##### - LGPS Investment Reforms: Regulations in Place

On the 23 September 2016 new regulations affecting the management and investment of LGPS funds in England and Wales were laid before Parliament. The Regulations will dispense with the current, explicit limits on specified types of investment and, instead, charge administering authorities with determining the appropriate mix of investments for their funds. The quid pro quo for more freedom in the formulation of investment strategies is an obligation upon administering authorities to adhere to official guidance, and broad powers allowing the Government to intervene if they do not. The Regulations come into force on 1 November 2016 but give the administering authorities until 1 April 2017 to publish their Investment Strategy Statement (ISS) in accordance with the new rules.

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

Manager	Mandate	Investment Style	Date Appointed	Value £m 30 June 2016
M&G	Bonds	Value	01/01/97	187.6
L & G	Passive	Passive	21/11/07	887.7
Ruffer	Multi Asset	Absolute Return	11/05/10	249.4
Newton	Multi Asset	Absolute Return	11/05/10	264.5
Schroders	Property	-	20/02/10	324.1
Longview	Global Equity	Neutral	19/04/13	193.3
State Street	Passive	Fundamental Indexation	06/08/13	524.7
Alternative * Investments	Various	-	Various	239.9
Northern Trust	Cash	-	01/09/02	57.6
Total				2,928.8

\* 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**

Work continues to be undertaken on the 2016 actuarial valuation. The initial whole Fund results of the Fund valuation are due back this month and provisional employer results will be issued at the Employer Forum on 18th November 2016.

## **Update on exit payment reforms**

In February of this year the Government issued a consultation, looking at a wide range of possible reforms to early exit arrangements across the public sector. On 26 September the Government issued its [response](#) to the 350 or so responses it received.

As expected, the Government remains committed to restricting the size of redundancy payments and other early exit costs. Individual Government Departments are now tasked with pulling together proposals for reforms and reaching agreement with unions and other workforce representatives.

The Government has confirmed guidelines for a common framework, including (potentially):

- Capping exit payments at 3 weeks' pay per year of service (with lower tariffs possible);
- A cap of 15 months' salary that can be paid as a redundancy payment (with different levels possible for voluntary and compulsory redundancies);
- Restricting the salary on which an exit payment can be based, with a strong steer that this should be in line with the £80,000 limit for NHS redundancies;
- Tapering any lump sum compensation for individuals closer to their normal pension age (presumably subject to any age discrimination requirements);
- Limiting or removing employer-funded early access to pension on redundancy (but there is no comment on how this could work in the LGPS where each Fund has its own early-retirement strain costs, depending on the funding assumptions used). Proposals appropriate to each workforce will be considered;
- Increase the minimum age at which an employee is able to receive an employer-funded pension top up so that it is more closely linked with the normal pension age of the Scheme.

The Government's response confirms that individual Government departments now have:

- Three months from the publication of the response (26 September 2016) to come up with proposals for how the Government's aims should be applied; and
- A further six months to complete negotiations and the necessary amendments.

It should be noted that this consultation is one of a number of strands that the Government is exploring in order to reform public sector exit payments.

The Government has confirmed that it still intends to introduce the £95,000 exit payment cap although we still await details of when or how it will impact LGPS employers. Our current understanding is that it may not now be introduced until spring/summer 2017.

The third strand of the "exit payment trilogy" concerns the Government's plans to claw back all or part of an exit payment for any staff earning £80,000 or more at the point they left and who return to the public sector within twelve months. Once again the effective date for this legislation is unclear.

As the timescales suggest there will be no formal changes to the public sector exit payment rules until later in 2017. It will still be useful for employers to bear this in mind if they have any major staff restructurings in the pipeline or staff transfers from the public sector planned.

## **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 –

- **Fair Deal, Freedom and Choice, etc consultation response**

The LGPC Secretariat's response to DCLG's May 2016 consultation on changes to the LGPS in England and Wales was submitted on 15<sup>th</sup> August 2016 and is available under Drafts and Consultations on [www.lgpsregs.org](http://www.lgpsregs.org).

- **Consultation on college insolvency regime**

We understand that DfE received a good response to the consultation from LGPS pension funds and that the Government will shortly be issuing their formal response, which will touch on some of the main issues raised in the LGPS's responses.

- **Finance Act 2016**

The Finance Act 2016 received royal assent on 15 September 2016. The Act reduces the lifetime allowance from £1.25m to £1m with effect from 6 April 2016, but provides for it to increase in line with Consumer Prices Index in future (the first such increase being made, potentially, for the 2018/19 tax year. The Act also contains the legislation for Fixed Protection 2016 and Individual Protection 2016 (they too have retrospective effect from April 2016).

## **East Sussex Pension Fund – Employer Forum**

The East Sussex Pension Fund (ESPF) Employer Forum is scheduled for 18th November 2016 at County Hall, Lewes. All employers have been emailed an invitation.

## **Pensions Board update**

The Pension Board has not met since the August 2016 ESFOA update. The next Pension Board meeting is on 3 November 2016. We will keep you updated in respect of the pension board future activities accordingly.

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:**

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