

# **East Sussex Pension Fund**

## Local Government Pension Scheme (LGPS)

### ESFOA Pensions Update

August 2017

#### East Sussex Pension Fund External Investments

The Fund's equity mandates were broadly flat in Sterling terms over the quarter. All of the Fund's equity mandates delivered strong absolute returns over the year ended 30 June 2017 and three year period. Gilt yields rose over the quarter (causing prices to fall) but the absolute return funds were buoyed to an extent by equity performance. Newton outperformed the LIBOR benchmark over the quarter, however, Ruffer lagged the benchmark.

Over the second quarter of 2017, gilt yields rose as investors became increasingly concerned about the possibility of tighter monetary policy. This had a negative impact on the absolute value of the Fund's bond holdings. The M&G mandate performed better due to the absolute return component of their benchmark.

#### 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 30 June 2017
M&G	Bonds	Value	01/01/97	203.1
L & G	Passive	Passive	21/11/07	1,052.9
Ruffer	Multi Asset	Absolute Return	11/05/10	291.1
Newton	Multi Asset	Absolute Return	11/05/10	290.0
Schroders	Property	-	20/02/10	336.9
Longview	Global Equity	Neutral	19/04/13	236.0
State Street	Passive	Fundamental Indexation	06/08/13	652.1
Alternative * Investments	Various	-	Various	223.9
Northern Trust	Cash	-	01/09/02	68.4
Total				3,354.4

\* Includes Infrastructure & Private Equity

Fund Value at 31 March 2017	Fund Value at 31 March 2016	Fund Value at 31 March 2015
£3,334.8m	£2,766.6m	£2,741.7m

### **ACCESS LGPS Pool - (A Collaboration of Central, Eastern & Southern Shires)**

ACCESS was formed in order to respond to the Government's LGPS investment reform criteria. The East Sussex Pension Fund (ESPF) is a leading participant within the ACCESS pool, with 10 other administering authorities underpinning the establishment of the pool. ACCESS contains the following *other* funds:

- |                   |                     |                   |
|-------------------|---------------------|-------------------|
| 1. Cambridgeshire | 5. Norfolk          | 8. Hertfordshire  |
| 2. Kent           | 6. Essex            | 9. Suffolk        |
| 3. Hampshire      | 7. Northamptonshire | 10. Isle of Wight |
| 4. West Sussex    |                     |                   |

ACCESS's collaboration was based on pooling investments via a Collective Investment Vehicle (CIV) that would be administered and maintained by a third party Operator, which the pool believed to be the Government's preferred means of investment pooling. The eleven participating authorities have a clear set of objectives and principles that will drive the decision-making and allow participating authorities to continue to help shape the design of the Pool.

ESPF and the group continue to meet government objectives, which will enable participating authorities to retain democratic accountability and exercise their primary fiduciary responsibility to LGPS stakeholders, including scheme members and employers, as economically as possible.

The total value of assets to be held within the Pool, once the transition is complete, will be around £32b. This assumes that, passive assets currently held in Life Policies will be considered to be within the Pool, although the Life Policies will remain an agreement between the participating authority and the appointed external investment manager(s). The Pool will be renting an Operator of a fully Financial Conduct Authority (FCA) regulated Collective Investment Vehicles (CIV) to build and operate the collective investment scheme.

**Governance** - The inter-authority agreement establishes the Joint Committee (JC). The JC will be "hosted" by one of the ACCESS local authorities that will undertake the secretariat function for the JC. The Chairmen of the ACCESS Pension Fund Committees have previously met on a shadow basis and formally met for the first time as an established body on 31 July 2017 following the completion of the legal sealing of the IAA by all Funds. At this first meeting, a Chairman and Vice-Chairman were appointed by the eleven ACCESS fund Chairmen.

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### **General Data Protection Regulation (GDPR)**

The General Data Protection Regulations (GDPR) will have direct effect throughout the EU from 25 May 2018 (despite Brexit). It applies to all EU member states and provides a single EU legal framework for the processing of individual's data.

Administering Authorities are responsible for the personal data held by their LGPS Funds, meaning the GDPR changes are relevant to them. Administering Authorities should be able to show in a meaningful way that both the overall governance structure for data protection compliance and the individual policies and procedures relating to data processing are compliant. The GDPR will, unlike the current rules, make data processors (those carrying out processing on the data Controller's behalf) directly responsible for certain aspects of compliance. In the context of an occupation pension scheme (LGPS), the typical data processor would be the provider of third-party administration and other services to the Fund. Where the trustees (Fund) appoint professional advisers or a scheme actuary, they will as joint data controllers have to agree the allocation of responsibilities, and communicate to the essence of this arrangement to scheme members in an accessible format.

The GDPR obliges national supervisory authorities – the Information Commissioner’s Office (ICO), in the UK- to impose upon those who breach its requirements administrative fines that are ‘*effective, proportionate and dissuasive*’. The level of the fine in any particular instance will depend on considerations such as the nature and gravity of the infringement, and whether it was deliberate or negligent. For further information, please find attached [twelve-step checklist](#) published by the Information Commissioner’s Office (ICO) last year.”

### **The Pensions Regulator (TPR)**

The TPR has issued its first fine to a public sector pension scheme manager, for failure to provide the Fund’s Scheme return. The Scheme return provides basic information to TPR about the Fund and is one of the tools that TPR use to carry out their role. The penalty notice was issued to a London Borough as the scheme manager.

### **Annual Benefit Statements**

Annual benefit Statements must be issued to members both active and deferred by 31<sup>st</sup> August. Production of annual benefit statements is a legal requirement for Funds, and they help members plan and make key decisions about their retirement. The TPR expects Funds to issue correct benefit statements ahead of this deadline.

As advised in the last ESFOA update, Orbis Business Operations – pensions administration will be issuing these statements by the 31 August for active members only via an on-line portal, and the Fund has been advised that this will be communicated by the administration (with instructions of how to access) in advance of the deadline. For all other members (Deferred and Councillors) of the Fund and for the ESFRS, this will be issued using the individual home postal addresses. Any queries regarding this exercise should be directed to [ESCC.Pensions@sesharedservices.org.uk](mailto:ESCC.Pensions@sesharedservices.org.uk) or please telephone the Orbis Business Operations Pensions Administration Team on Tel: 01273 337450.

In addition, the Fund has been advised that all Employers within the East Sussex Pension Fund will receive a more detailed communication from Orbis Business Operations, in advance of members receiving information regarding the annual pensions benefit statements for 2017.

### **Scheme Advisory Board (SAB) Consultations**

On 17 July, the LGPS Scheme Advisory Board issued consultation documents in relation to both Academies Objectives and the Cross Pool Information Forum. At its meeting on 26 June, SAB proposed four objectives relating to academy employers in the scheme and agreed that a consultation on these should be opened to stakeholders, aimed at all Pension Managers and Pension Committees.

At the same meeting, SAB agreed in principle that an elected member-led Cross Pool Information Forum should be established to share information on the pooling of LGPS assets. It was also agreed that both LGPS Chairs of Pension Committees and LGPS Fund Investment Contacts should be consulted on the remit, membership and frequency of the proposed forum.

For more information on these consultations, please see link below;

<http://www.lgpsboard.org/index.php/board-publications/board-consultations>

### **Changes to State Pension Age**

The DWP has published a report outlining the Government’s proposals for changing the state pension age from 2028. This follows an announcement by the Secretary of State for Work and Pensions, that the rise in State Pension Age (SPA) to 68 will now happen in 2039 rather than 2046, affecting those currently aged between 39 and 47. Note that any changes to SPA still require primary legislation and will be subject to the full scrutiny of Parliament

Changes in SPA automatically feed through into the NRA for post 2014 LGPS pension benefits, via the Pensions Act 1995 (as amended by the Pensions Act 2011 and Pensions Act 2014). Therefore if this change is brought into legislation, it will have a positive impact on the liabilities and contribution rates in respect of LGPS Funds. The initial estimate is that this will have a minimal impact on the past service liabilities, and that it could reduce the future service rate. However, the impact may vary for individual employers depending on their maturity and membership profile. For information, please follow the attached link;  
<https://www.gov.uk/government/publications/state-pension-age-review-final-report>

### **LGPC Bulletins & Circulars**

The latest LGPC [Circular](#) and [Bulletin](#) contain information on a wide range of issues, some of which has been covered within this update. Please see below additional information that may be of interest to Employers and has been mentioned in previous updates;

### **Exit payment reform update**

Following June's general election, the LGPC Secretariat understand that there is no policy change in respect of the various exit payment reforms that the 2015-2017 Government were in the process of introducing prior to the snap election. However, given the focus on Brexit in the coming period and the new Government's minority status, it is unclear the extent to which pursuing each reform will be a priority for the Government. It is also unclear the implementation timescales the Government plan to adopt for each reform. For further information, please follow the link; <http://lgpslibrary.org/assets/bulletins/2017/160.pdf>

### **Pensions Board update**

Two Pension Board meetings have been held since the last ESFOA update, i.e., on 26 June 2017 and 3 August 2017 respectively. Agenda items considered on the 26 June include - the draft Pension Fund Annual Report 2016/17, Administration Strategy Statement and Guaranteed Minimum Pension (GMP) reconciliation exercise. Agenda items considered on 3 August include - the General Data Protection Regulation Compliance (GDPR), Local Government Pension Scheme Pooling – ACCESS update. The next meeting for the Pension Board will be held on the 7<sup>th</sup> November 2017.

Full agenda and minutes of these meeting are available on ESPF website following the link: <https://www.eastsussex.gov.uk/jobs/benefits/pensions/download/>

### **Contact Details:**

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