East Sussex Pension Fund

Local Government Pension Scheme (LGPS)

ESFOA Pensions Update

February 2018

East Sussex Pension Fund External Investments

With the Governments deadline of the 1 April 2018, to have the LGPS Investment Pools operational, fast approaching work is progressing to ensure ACCESS meets this. The transition of passive mandates across to UBS is taking place over January and February to be complete before 31 March 2018 moving over £10bn under the governance of ACCESS. The procurement process for the Operator is nearing completion the focus has been shifting towards the creation of the first sub-funds for the ACCESS Pool. A plan to move over £10bn into the pool in the next year has been discussed and work has begun to get the first applications off to FCA for authorisation.

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 Dec 2017
M&G	Bonds	Value	01/01/97	208.1
L & G	Passive	Passive	21/11/07	1,121.4
Ruffer	Multi Asset	Absolute Return	11/05/10	323.2
Newton	Multi Asset	Absolute Return	11/05/10	316.6
Schroders	Property	-	20/02/10	348.9
Longview	Global Equity	Neutral	19/04/13	246.4
State Street	Passive	Fundamental Indexation	06/08/13	645.2
Alternative * Investments	Various	-	Various	208.1
Northern Trust	Cash	-	01/09/02	66.7
Total				**3,484.6**

* 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

Automatic enrolment

On 18 December DWP published the report Automatic enrolment review 2017: Maintaining the Momentum about how workplace pensions will meet the needs of individuals and employers while remaining fair, affordable and sustainable for future generations. Proposals include:

- reducing the lower age limit for auto enrolment from 22 to age 18. This change will simplify workforce assessment for employers: all eligible workers would benefit from auto enrolment from age 18 whoever employs them.

- changing the framework for auto enrolment so that pension contributions would be calculated from the first pound earned, rather than from the lower earnings limit, currently set at £5,876.

- the earnings trigger for automatic enrolment will remain at £10,000 in 2018/19, subject to annual review.

- continuing to monitor and evaluate the impact of increasing contributions and to carry out further analysis to inform a longer-term debate on the right balance between statutory contribution rates and voluntary additional retirement savings.

- to work to implement the government's manifesto commitment by testing targeted interventions – including through the opportunity of Making Tax Digital – to identify the most effective options to increase pension saving amongst self-employed people.

- to support the ability of individuals to engage with, and have a sense of greater personal ownership for, their workplace pension saving so that they can plan for the future.

Employment Tribunal Case

In June 2017, an Employment Appeal Tribunal (EAT) decision, the University of Sunderland vs Drossou was made which has potential impacts for employers on how to calculate a week's pay for unfair dismissal compensation under section 221 of the Employment Rights Act 1996 (ERA1996).

The part of this case relevant to pensions is that the Employment Tribunal included the Employers pension contribution as part of the calculation for a weeks pay. The University appealed this. The EAT upheld the original decision advising:

Under section 221(2) of the Employment Rights Act 1996, the amount of a week's pay is the remuneration "which is payable by the employer under the contract of employment." In their judgment, the EAT concluded that there was no requirement for payments under s221 to be payable 'to the employee'. It also found that the term remuneration was a reward in return for services and concluded that pension contributions were no less a reward for service than basic pay.

In their recent advisory bulletin on the case, the LGA's employment relations team provided some commentary on the implications of this case for local authority employers which may be useful to some Employers.

Indexation and equalisation of Guaranteed Minimum Pension (GMP) in public service pension schemes

The HM Treasury published its response to the consultation on indexation and equalisation of guaranteed minimum pensions (GMPs) in public service pension schemes. The consultation set out options for how government should continue to meet its obligations to index and equalise pension entitlements for members in public sector schemes with GMP entitlements following reform to state pensions and the ending of contracting-out (which removed the mechanism for full indexation of GMPs being paid through the State Additional Pension).

The Government's decision following the recent consultation is to discount the case by case method and extend the interim solution for a further two years and four months, i.e. indexation (pension increases) on GMPs in payment will now be paid by public sector schemes for those who reach SPA on or before 5 April 2021.

The Pension Fund will give consideration to the potential effect on the liabilities and potential impact on employers.

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.

Pensions Board update

The last Pension Board meeting was held on the 16 November 2017, agenda items of this meeting were provided in the December 2017 ESFOA update. The next meeting for the Pension Board will be held on the 8th February 2018.

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:

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