

East Sussex Pension Fund

Local Government Pension Scheme (LGPS)

ESFOA Pensions Update

June 2018

East Sussex Pension Fund External Investments

Over the quarter to end March 2018, the Fund returned -3.0%, underperforming the benchmark by 0.6%. Over the longer time periods considered, the Fund has outperformed the aggregate benchmark. The relative underperformance was driven entirely by the Fund's absolute return mandates. Both underperformed their cash benchmarks, as equity and credit markets sold off during the quarter.

Q4 economic data confirmed that global growth remained buoyant through to the year-end yet the UK continues to lag behind its peers. Japan continued its longest streak of growth since 1989, although initial estimates suggest growth had eased very slightly in Q4, as it had in the US and Eurozone.

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 April 2018
M&G	Bonds	Value	01/01/97	206.6
Ruffer	Multi Asset	Absolute Return	11/05/10	321.3
Newton	Multi Asset	Absolute Return	11/05/10	313.9
Schroders	Property	-	20/02/10	356.2
Longview	Global Equity	Neutral	19/04/13	244.9
UBS	Passive	Passive	12/01/18	1,739.2
Alternative * Investments	Various	-	Various	207.7
Northern Trust	Cash	-	01/09/02	67.9
Total				3,457.7

* Includes Infrastructure & Private Equity

Fund Value at 31 March 2018	Fund Value at 31 March 2017	Fund Value at 31 March 2016	Fund Value at 31 March 2015
£ 3,377.1	£3,334.8m	£2,766.6m	£2,741.7m

LGPS Amendment Regulations 2018

The Local Government Pension Scheme (Amendment) Regulations 2018 came into force from 14 May 2018. The regulations made a number of changes to the existing LGPS legislation.

A change of particular note which may interest employers who undertake outsourcing exercises or experience a cessation event, is that LGPS Regulation 64, now allows for the payment of a surplus (an "exit credit") to an exiting employer. This change is currently being considered by the East Sussex Pension Fund and any change in strategy will be communicated on accordingly.

The LGA produced a table of all the changes and the impact those changes have which can be accessed [here](#).

Scheme Advisory Board (SAB): Scheme Annual Report 2017

The scheme annual report for the LGPS has been released. The aim of this annual report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. The report aggregates information supplied in the 90 fund annual reports, as at 31 March 2017. For further information please follow link below: <http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report>

LGPS and General Data Protection Regulations (GDPR)

As you will be aware GDPR provides for a new standard of data protection for individuals in the European Union and came into force throughout the EU on 25 May 2018.

In accordance with the regulations, the Pension Fund issued a Memorandum of Understanding (MOU) document to all Employers who participate in the East Sussex Pension Fund on 25 May 2018 and you will have received a copy of this.

In addition, the Pension Fund published a privacy notice for members and beneficiaries of the East Sussex Pension Fund. Members will be made aware of the privacy notice through communications with the Fund and via the annual benefit statement exercise.

Both the MOU and the privacy notice are available on the Councils websites at:

<https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/>

<http://www.eastsussexpensionfund.org/east-sussex-pension-fund/about-us/forms-and-publications/>

TPO and TPR establish information sharing agreement

The Pensions Ombudsman (TPO) and the Pensions Regulator (tPR) have agreed to share information with a view to mutually enhancing their knowledge and understanding of developing pension issues.

The Agreement came into effect in March 2018 and gives details of the principles both organisations will follow when sharing information about complaints and concerns.

Pension Regulator (tPR)

TPR's 3rd public sector wide survey results were published in May 2018. Headline points that might be taken from these papers are:

- TPR's focus have turned towards the LGPS for a variety of reasons (lack of survey response, reported breaches, stalled process improvements, etc.).

- The focus and style of the survey remains the same as previous years - annual benefit statement exercise, governance, Pension Board effectiveness, data quality and backlog.
- On record keeping, the tPR is on the same wavelength as the Scheme Advisory Board when it stresses the importance of good data.
- On reporting breaches, tPR is concerned that some funds are choosing not to report material breaches due to fear of the consequences.
- Survey results need to be interpreted carefully given the volume of responses from LGPS funds
- Overall, it is clear that tPR is looking to focus its resources on the LGPS space. The impression given is that the LGPS is holding back the other improving Public Sector arrangements. This was alluded to by the (departing) Chief Executive of tPR at the recent PLSA pensions conference.

Under the **21st Century Trusteeship** and governance campaign the tPR have launched a programme to raise standards of pension scheme governance for both the private and public sector. The campaign sets out tPR's expectations for those managing pension schemes, including LGPS funds. The East Sussex Pension Fund is working with the Pension Board and Pension Committee aligned to these governance fundamentals.

Prudential AVC member presentations

As some employers will already be aware, the Fund's AVC provider Prudential recently announced they will no longer be providing member AVC presentations.

The Fund contacted Prudential in his regard, Prudential released the following in a statement:

M&G Prudential recently announced a company-wide transformation programme designed to modernise the business. As part of this programme we are now making changes to the Corporate Pensions Team which provides member presentations and individual meetings in the workplace.

I would like to confirm M&G Prudential's commitment to being the leading provider of AVCs. However, as a result of these changes, with immediate effect, member presentations and individual meetings will no longer be provided. We will continue to provide the full range of online services and telephony support through our Retirement Specialist Team. This includes the ability for members to start or amend contributions on-line or over the phone.

Unfortunately, a number of roles in the Corporate Pensions Team are impacted and we have therefore decided to cancel all scheduled workplace presentations and individual meetings

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

At the Pension Board meeting held on the 8 May 2018, agenda items considered included; Draft Internal Audit Pension Fund Strategy and Internal Audit Reports, 2018 Annual Benefit Statement update, Pension Fund Breaches Log. The next meeting for the Pension Board will be held on the 10th September 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:

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