

REPORT OF THE GOVERNANCE COMMITTEE

The Governance Committee met on 11 November 2014. Attendances:

Councillor Glazier (Chair)
Councillors Elkin, Howson, Tutt and Webb

1. Local Government Pension Scheme – New Governance Arrangements

1.1 The published draft Regulations on Local Government Pension Scheme (LGPS) Governance set out new requirements for each administering authority to maintain a Pension Fund Board.

1.2 A key aim of the reform process is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

1.3 The Public Service Pensions Bill sets out governance requirements for the new LGPS to be introduced on or before 1 April 2015. The Bill states that: “Scheme regulations...must provide for the establishment of a Board with responsibility for assisting the scheme manager (the County Council) in relation to the following matters:

- a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme;
- b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- c) such other matters as the scheme regulations may specify.”

1.4 The current East Sussex Pension Fund Investment Panel (ESPF) does not satisfy the requirements of the new legislation as the Panel currently has no responsibility for the governance and administration of the scheme. Recommendations made by the ESPF are referred to the Governance Committee for consideration and information.

1.5 The current arrangements and proposed options for setting up of the Pension Board are detailed in Appendix 1, 2, & 3, while Appendix 4, 5 and 6 outline the roles/responsibilities, implementation timeline and and LGPS Regulations 2014. The appendices have been circulated separately to all members.

Committee Structure	Proposed changes
Appendix 1	<ul style="list-style-type: none"> • Current arrangements <i>plus</i> • A new Pension Board
Appendix 2	<ul style="list-style-type: none"> • A new Pension Board; • Disband the Investment Panel, and Governance Committee takes on all pensions related (investment/administration) decisions.
Appendix 3 (recommended option)	<ul style="list-style-type: none"> • A new Pensions Board; • Disband the Investment Panel; Governance Committee <i>delegates powers to a new Pension Committee</i> for all pension related (investment and administration) decisions.

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1.6 The Pension Board membership must include an equal number of employers and employee representatives, which must not be less than 4 in total. Elected members can become members of a local pension board. However, members or officers of ESCC (an administering authority) who are responsible for the discharge of any function under the Principal 2013 Regulations are not able to become a member of the local pension board. Additional members can be added to this board, for example three other people (including an Independent Chair) could be appointed if only 4 employer and employee representatives were appointed but these additional members must not form the majority.

1.7 The Pension Board's terms of reference are all up to local discretion as long as the authority is satisfied all Members of the board have the relevant experience and capacity to undertake the role. The Board would be named the East Sussex Pension Fund Board.

1.8 The administering authority, the County Council is responsible, through the Pension Fund Investment Panel, to set the investment policy and review the performance of the Fund's external investment managers. The Public Service Pensions Act 2013 has changed pension fund governance arrangements with effect from 1 April 2015 and if the proposed structure regarding the Pension Committee and Pension Board is agreed it is proposed that the East Sussex Pension Fund Investment Panel should be discontinued.

1.9 The Committee **recommends** the County Council to

☆ (1) agree the proposed structure and establishment of, by 1 April 2015, the Pension Committee and Pension Board as set out in Appendix 3;

(2) agree that the East Sussex Pension Fund Investment Panel be discontinued by 1 April 2015 and that the Council's Constitution be amended accordingly; and

(3) agree to delegate authority to the Governance Committee to:

- (i) determine the selection process for appointment to the Pension Board,
- (ii) appoint to, and remove from, the Pension Board; and
- (iii) agree the level of remuneration for Pension Board Members

11 November 2014

KEITH GLAZIER
(Chair)