

East Sussex Pension Fund

Date: 21 May 2020

Prepared for: Governance Review Oversight Group:

- Councillor Gerard Fox, Chair of Pension Committee
- Michelle King, East Sussex Interim Head of Pensions
- Kevin Foster, East Sussex COO
- William Bourne, Pension Committee Independent Adviser

Prepared by: Karen McWilliam

Partner / Head of Public Sector Governance & Benefits Consultancy

Governance Review of East Sussex Pension Fund

1. Introduction and purpose

We have been asked by East Sussex County Council ("ESCC"), in its role as the administering authority to East Sussex Pension Fund ("the Fund"), to carry out a follow up review of the East Sussex Pension Fund governance and resourcing arrangements. This is the second review we have undertaken, following our report of January 2019 which considered the evolution of the scheme and the interaction with the Fund's management.

This review has been commissioned by the East Sussex Pension Committee ("PC") and is being overseen by a working group consisting of:

- Councillor Gerard Fox, Chair of Pension Committee
- Michelle King, East Sussex Interim Head of Pensions
- Kevin Foster, East Sussex Chief Operating Officer
- William Bourne, Pension Committee Independent Adviser

The focus of this review is on looking forward, and its primary purpose is to support the East Sussex Pension Fund's desire to get ahead of the game and establish the principles of the Scheme Advisory Board's ("SAB") Good Governance Project in the Pension Fund's governance arrangements, in order that it will be compliant with the recommendations expected to follow. As such, we have included a number of recommendations aimed at improving the Fund's organisational and governance structure. These are not purely focussed on the SAB project, but also incorporate other areas of best practice, including requirements within other guidance such as from The Pensions Regulator, MHCLG (the legislators for the LGPS) and CIPFA (relating to professional standards) as described in the next section of this report.

Although this report includes some legal elements, these are presented by us in our capacity as pension consultants and not as legal experts, and as such, nothing in this report should be considered as legal advice. In addition, it is worth highlighting that this report does not include:

- consideration of the detailed management and delivery of Fund matters, such as the appropriateness or accuracy of the current administration arrangements
- consideration of investment matters, other than in relation to where the high-level responsibilities should belong within the Council's Constitution
- full consideration of all matters that we believe feed into good governance (for example, risk management, business planning and representation of scheme members and employers).

1 Redcliff Street | Bristol | BS1 6NP

t +44 (0) 117 929 4001 | f +44 (0) 117 925 0188 | aon.com

Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority.

Registered in England & Wales No. 4396810

Registered office:

The Aon Centre | The Leadenhall Building | 122 Leadenhall Street | London | EC3V 4AN

This report and any enclosures or attachments are prepared on the understanding that it is solely for the benefit of the addressee(s). Unless we provide express prior written consent no part of this report should be reproduced, distributed or communicated to anyone else and, in providing this report, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this report.

Copyright © 2020 Aon Hewitt Limited. All rights reserved.

Aon has a good governance framework and we would be happy to carry out a wider review of all aspects of the Fund's governance at a later date.

- any particular focus on the role or work of the Pension Board, which in our view has an oversight role. We have considered the appropriateness of the Board's terms of reference, but have not considered in any detail the specific work of the Board. We would be happy to consider this further at a later stage.

National Guidance and Requirements on Governance

In this section we summarise some of the key elements of good governance that are included in national guidance or best practice and which we have relied on in formulating our observations and recommendations.

2. Summary of guidance

The guidance and requirements we refer to within this paper are as follows:

- SAB Good Governance Project¹ – phase 2 report ("SAB Good Governance Project Outcomes ")
- MHCLG Statutory Guidance on Governance Compliance Statements² ("MHCLG Statutory Governance Guidance")
- The Pensions Regulator's Code 14: Governance and administration of public service pension schemes³ ("TPR Code of Practice")
- CIPFA's Administration in the LGPS: a guide for pensions authorities⁴ ("CIPFA Administration Guide")

3. Scheme Advisory Board's Good Governance Project

As the principles of SAB's Good Governance project are integral to this governance review, we show below the latest proposals, which are from phase 2 of the project, and which are likely to be incorporated into statutory guidance:

- The need for new statutory governance guidance from the Ministry for Housing Communities and Local Government (MHCLG) to effectively implement the proposals from this project. The current guidance in this area was published in 2008.
- Each administering authority to:
 - have a **single named officer responsible for the delivery of all LGPS related activity** for that fund (i.e. an LGPS senior officer)
 - **publish an annual governance compliance statement that sets out how they comply** with the governance requirements set out in MHCLG's new guidance. This would need to be co-signed by the LGPS senior officer and, where different, the S151 officer

¹ https://www.lgpsboard.org/images/PDF/HymansRobertson_GoodgovernanceintheLGPS_Phase-II_November2019.pdf

² http://lgpsregs.org/timelineregs/Statutory%20Guidance%20and%20circulars/Governance_Statutory_Guidance.doc

³ <https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

⁴ <https://www.cipfa.org/policy-and-guidance/reports/administration-in-the-lgps>

- publish a [conflicts of interest policy](#) which includes details of how actual, potential and perceived conflicts are addressed
- refer to SAB guidance on [statutory and fiduciary duty](#)
- publish a policy on the [representation of scheme members and non-administering authority employers](#) on its committees, explaining its approach to representation and to voting rights for each party.
- In the areas of [knowledge and skills](#):
 - a requirement for key individuals within the LGPS, including [LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding](#) to carry out their duties effectively (in effect this tries to bring requirements in line with those already in place for Local Pension Boards)
 - a requirement for [s151 officers to carry out LGPS relevant training](#) as part of CPD requirements to ensure good levels of knowledge and understanding
 - a requirement to have a [policy setting out how training is delivered, assessed and recorded](#)
 - CIPFA and other professional bodies be asked to produce guidance and training modules (particularly for S151 officers).
- In terms of the service delivery of the LGPS, each Administering Authority must:
 - [document key roles and responsibilities](#) relating to the fund and publish a roles and responsibilities matrix setting out [how key decisions are reached](#)
 - [publish an Administration Strategy](#) and [report the Fund's performance](#) against agreed indicators
 - ensure their [committee is included in the business planning and budget setting](#) processes
 - give [proper consideration to pay and recruitment policies in order to meet the needs of the pension fund](#); not simply applying general council staffing policies such as recruitment freezes.
- From a compliance and improvement perspective the proposal is that each Administering Authority must undergo a biennial independent governance review and produce an improvement plan to address any issues identified, with those reviews and reports to be assessed by a SAB panel of experts. The Local Government Association (LGA) will also consider establishing a peer review process for LGPS funds.

4. MHCLG Statutory Governance Guidance

MHCLG statutory guidance includes the principle that "The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council."

It also states:

- [Policy decisions on administration matters] are key decisions which should be subject to the rigorous supervision and oversight of the main committee.

- LGPS committees and panels need to receive regular reports on their scheme administration to ensure that best practice standards are targeted and met and furthermore, to satisfy themselves and to justify to their stakeholders that the fund is being run on an effective basis.

5. TPR's Code of Practice

TPR's Code refers to the outsourcing of services in paragraphs 119 and 120, focussing on the provision of administration services. It refers to:

- Providers of outsourced services should be required to demonstrate that they have adequate internal controls, which should be incorporated within the terms of engagement between the scheme and service provider. The scheme manager (which we have taken to be the PC) should be satisfied that internal controls associated with those services are adequate and effective.
- Information from providers should be sufficiently detailed and comprehensive and service level agreements should cover all services that are outsourced.
- Where the management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls in place will ensure the integrity of scheme member data.

6. CIPFA Administration Guide

This CIPFA guidance (which under the principles of full disclosure we should note was co-authored by Aon) includes the following:

- What if administration is outsourced or delivered through a shared-service arrangement?
 - Whether your administration service is delivered internally (within the administering authority), outsourced to a private sector contractor or provided through a shared-service arrangement, the responsibility for the proper governance of the Fund, including administration and communications matters, still lies with the administering authority. Accordingly you would expect all the points highlighted above* to equally be included in reporting from any external provider or shared service partner of your administration services. A close working relationship is fundamental to ensuring that your administration provider can continually meet legal and other requirements, particularly given you will have no or little direct control over the resources available to deliver your administration services.
 - [*Note that this refers to areas set out within the CIPFA guide, including reporting against areas such as legal deadlines, internal targets, overall turnaround times, breaches and errors, numbers of tasks/cases, satisfaction surveys, data issues and employer performance.]
 - It will be extremely important to ensure that the information to be included in reporting, and the level of detail expected, is clearly set out when carrying out any tender or appointment process. This should ensure full details of all Fund specific service standards or other targets (albeit noting that these may move during the period of the contract). This should also set out expectations in relation to rectification where an administration provider is failing to meet requirements.

Observations

This section includes a summary of our understanding of and observations in relation to the current structure and delegation of responsibilities relating to the Fund, and how key areas of Fund business are carried out.

7. Observations relating to where responsibilities currently lie and why

Our understanding is the existing Pension Fund functions are carried out and delegated as follows:

Pension responsibilities within the ESCC Constitution

The pension related responsibilities in the ESCC Constitution are summarised below and detailed in Annex A:

- Governance Committee – To make recommendations to the County Council on the members to be appointed to the Pension Committee, and also responsibility for appointing and removing Pension Board members, and agreeing the level of remuneration for Pension Board members.
- Pension Committee – overall responsibility to exercise functions and responsibilities for dealing with the Fund. The current Terms of Reference then lists several more specific responsibilities including making arrangements for the investment, administration and management of the Fund, agreeing policy statements, and ensuring that the Fund administration is conducted in accordance with relevant legislation.
- Pension Board – as required by the Public Service Pensions Act 2013, responsibility for "assisting the Scheme Manager" in securing compliance with all relevant pensions law, regulations and directions, as well as the relevant Pension Regulator's codes of practice, and providing assurance in and governance of the scheme administration. The Constitution provides detail around the terms, membership and arrangements for the Pension Board (which we expect is because other areas of the Constitution would not apply due to the different overriding enactment).
- Chief Operating Officer – paying statutory benefits to members of the LGPS and applying the discretionary provisions of the LGPS; we have assumed the latter relates to employing authority discretionary provisions. They also authorise payment of awards under the Local Government (Discretionary Payments) Regulations, but these are largely non-pension and again we have assumed these relate to employing authority responsibilities.
- Assistant Chief Executive (i.e. the Monitoring Officer) – making decisions under Stage 2 of the internal dispute resolution procedure for the LGPS.
- Chief Finance Officer – responsibility for implementing the policy decided by the PC, and to act in special or emergency situations relating to investments. Also responsible for various matters relating to the participation of external employers in the fund (e.g. approving the terms of an admission agreement).

Pension responsibilities relating to the shared services arrangement with SCC

The outcomes of a Cabinet meeting has resulted in:

- the creation of a shared service arrangement between ESCC and Surrey County Council ("SCC")
- delegating the ESCC functions of providing exchequer, payroll and pensions services to SCC
- to transfer staff to SCC from Serco (the incumbent contractor) as the host authority
- to enter into an Administration Collaboration Agreement, which was still in draft.

We were provided with a copy of the current Inter Authority Agreement (IAA) which was signed in June 2019 (albeit it refers to an interim IAA which was entered in July 2017). It lists in Schedule 2 the services covered by the agreement which include:

- Within Finance – "Pension Fund"
- Within Business Operations – "Pension Administration"

The IAA refers to the establishment of the Orbis Partnership on 13 April 2016.

We have not been provided with any further information relating to decisions made in relation to the pension services provided by Orbis.

We have been advised that the relationship and working practices in relation to the pension services have evolved. The Assistant Chief Executive has provided us with the following information:

"An Inter-Authority Agreement was entered into in 2016 between SCC and ESCC which enabled staff employed by one authority to be placed at the disposal of another authority in accordance with s113 LGA 1972. Any such officer shall be treated for the purposes of any enactment relating to the discharge of a local authorities' functions as an officer of that other local authority. The partnership was further extended to Brighton and Hove City Council in 2017 with an Interim IAA being entered into in 2017, and a substantive IAA signed in 2019

A Joint Committee was established with its terms of reference being to monitor performance of the partnership and to recommend to each of the Councils an annual budget. Responsibility for exercising non-executive functions remain the responsibility of the individual Councils in accordance with existing schemes of delegation to Officers and the Pension Committee.

8. Observations

- If you were to solely consider the PC terms of reference, it would appear that the PC has overall responsibility for East Sussex Pension Fund matters.
- The decisions relating to creation of the shared services were taken by Cabinet. This included delegating the pensions administration function (as well as other functions) to SCC (and ultimately Orbis).
- Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 statutory decisions taken under schemes made under sections 7, 12 or 24 of the Superannuation Act 1972, are not the responsibility of the executive arrangements (i.e. Cabinet) introduced by the Local Government Act 2000. We do not believe there are any legal issues in relation to the decisions taken. However, the Inter Authority Agreement and the Cabinet meeting papers do not draw out the fact that there are

differences in the relationship on pension fund matters (compared with other council functions), such as the fact that all costs are recharged back to the Pension Fund and that the PC has responsibility for the management of the Fund. We are not aware of the delegation of responsibilities to Orbis having been approved or endorsed by the Pension Committee.

- The responsibilities of Orbis versus those of the PC appear to have some overlap, and in our view there is a lack of clarity relating to accountability. This could lead to conflicts of interest, particularly where the objectives of Orbis are not aligned to the objectives of the Fund (as approved by the PC).
- Equally responsibility at an officer level could be clearer such as for the Chief Operating Officer. There is no mention of a Head of Pensions. Some of the officers that are mentioned also have Orbis responsibilities, which again could result in conflicts of interest existing or arising due to multiple responsibilities where objectives may not be aligned.
- There also appears to be some overlap between the Chief Finance Officer responsibilities and the Pension Committee responsibilities in relation to the management and approvals for employers joining or leaving the fund. Perhaps the intention is that the details of the terms of the agreement fall to the Chief Finance officer but the overriding approval as to whether it is permitted or not sits with the Committee, although this is not completely clear from the current documentation.
- There does not appear to be a detailed service level agreement between Orbis and the Fund, and therefore there is a lack of clarity over service standards and detailed responsibilities.

9. Consideration of Committee agendas and business

In carrying out this review we have considered whether the Committee are carrying out their responsibilities as would be expected, both in terms of the existing terms of reference and in relation to best practice and national guidance.

We have been given sight of all Committee papers relating to the last year (2019). We recognise that recently there are several projects or areas of work that have resulted in additional reporting. Therefore we have also considered some of the papers relating to prior to that period, which are available on the ESCC website. As part of this review, we have also considered the key policies and strategies that we would expect to be in place.

10. Observations

- There is currently no Pension Fund specific Conflicts of Interest Policy in place. Declarations are invited as standard at the start of each PC meeting, but this relates to declarations as defined by the ECC Code of Conduct for Members; hence potentially not

covering situations of possible conflict relating to wider responsibilities for Fund matters, and also not covering officers and advisers.

- The key policies that govern the Fund that are in place tend not to have clear objectives or details on how success will be measured against those objectives.
- The recurring items outlined in the February 2019 business plan/forward plan include key areas such as investment performance monitoring, business operations and a general update. From PC agendas we can easily evidence regularly monitoring information in relation to investment matters. However, there does not appear to be consistent monitoring information provided in relation to administration, communications and governance matters. We have not commented on funding matters given the focus on the actuarial valuation during 2019, which we recognise often means a move away from regular monitoring practices. Gaps we identified include consistent monitoring of administration KPIs or other administration measures, breaches, training and attendance.
- The format of the business plan generally focusses on agenda items for PC and PB meetings. It does not include explanation around new projects or areas of work that are being proposed, nor does it include the Fund's proposed budget for the year. Accordingly monitoring of key projects could be missing.
- Given the gaps in monitoring of ongoing objectives, and lack of clarity around business plan priorities, we are not able to make any detailed comment on the appropriateness of the current budget and resources. However from an initial review of information available, there does appear to be a number of problems that would indicate the need for a review of resource levels as well as the structure of the Pension Fund Management Team.

Recommendations and Next Steps

This section includes our recommendations and suggested next steps to improve the governance of East Sussex Pension Fund. It is supplemented by our notes in the Annex B that provide reasons for many of our proposed changes.

11. Recommendations

We have made a number of observations based on our high-level review of the current governance structure and how pension fund matters are currently being managed. We believe the biggest risks we have identified are:

- around the ambiguity over accountability and ownership of pension fund matters. Therefore our recommendations are focussed on removing that ambiguity and putting in place a structure and practices that are in accordance with best practice and national guidance, and particularly the SAB Good Governance project.
- lack of clarity over the performance of the Fund, particularly in relation to administration, due to lack of focussed ongoing monitoring of key measures.

12. Immediate priorities

- Review the terms of reference within the Constitution relating to the Pension Committee to enhance and clarify the responsibilities that the Pension Committee has. The opportunity should also be taken to clarify that overall responsibility for all Fund matters sits with the Pension Committee unless delegated to senior officers. Our suggested updated terms of reference and delegations of responsibilities are included in Annex B, which includes notes explaining our proposed changes. Note we have specifically not commented on whether the representation of scheme members and employers on the Committee and Board is appropriate as we do not consider this an immediate priority given the size and current representation on the Pension Board. We recommend this is considered as part of a wider governance review at a later date.
- Review the staffing structure for ESPF management team. A suggested high-level structure is included in Annex C which includes how this would fit within our recommended overall governance structure for the Fund. The full costs of this team would be recharged to the Pension Fund. The next step should be to identify all key responsibilities for the individuals in that team (which links to one of the proposals from the SAB Good Governance project) and develop job profiles, as well as discussing the appropriate number of team members. We are not able at this time to make clear recommendations but would be happy to continue to develop this in partnership with the Fund ESPF management team and other interested parties. The SAB Good Governance project highlights the importance of the recruitment and retention practices that apply to the pensions functions enabling the delivery of an effective pensions service, which may mean, for example, the use of market supplements. It specifies "Given that the pension fund budget is set and managed separately from the expenditure

of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default."

- As part of this ensure that a Head of Pensions is put in place, in line with the proposals in the SAB Good Governance Project. This should be:
 - a person with an excellent degree of knowledge and experience relating to the management of LGPS Funds
 - a person who would be dedicating all, or at least most of their time to that role (we would recommend at least 80% of their time)
 - the role which the Pension Committee would hold accountable for the day to day delivery of the Fund, in accordance with their agreed strategies, policies and business plan
 - a person who will have some individual responsibilities delegated to them, as illustrated in Annex B. This then removes the need for some of the existing responsibilities from other senior officers in ESCC, other than statutory responsibilities.

Given these criteria, we expect that this would not be the S151 Officer, and we recommend that this should be a newly created role with full-time responsibility for the Fund. It is also important to consider the reporting lines for this new role, ensuring that they do not report to any person who may then have a potential conflict (for example, in relation to Orbis). It is becoming more common for the role of Head of Pensions to report directly to the Chief Executive, albeit we recognise there may be reasons why this is not practical..

- Develop and have agreed at Pension Committee a Pension Fund-specific Conflicts of Interest Policy, which clearly focusses on the different responsibilities that can arise and the potential conflicts that need to be managed. It should apply to all Pension Committee and Pension Board members, senior Fund officers and advisers, including those responsible for delivering any pension fund services within Orbis. Ensure the requirements relating to the policy are then implemented and monitored.
- Put in place a clear service level agreement (or other equivalent legal document) with Orbis in relation to all Pension Fund services provided under the umbrella of the organisation, as a supplier to the Fund. This document should be purely in relation to Pension Fund services (so separate from any wider Council Inter Authority Agreement). It should include a full list of all responsibilities that are to be carried out by Orbis (and those retained by the EPF Pension Fund Management Team) as well as service standards that should be met in relation to those responsibilities, which should be focussed on meeting the Fund's strategies. This should also clarify the expected ongoing reporting requirements.
- In tandem with this, review the Fund's Administration and Communications Strategies, to ensure clarity over the vision of the Fund in these areas; which in turn will assist Orbis in delivery of services.
- Develop the format of standard reports to the Committee, Board and Pension Fund Management Team officers, initially focussing on those relating to administration and breaches information. For the avoidance of doubt, such update reports should

amalgamate information provided by Orbis, for example, there should be one breaches log, which shows all breaches relating to the Fund. As part of this, review the Fund's breaches policy to ensure it works as intended given the nature of the proposed changes.

Medium term priorities (later in 2020/21)

- Review the adequacy of all pension fund monitoring against all the Fund's objectives (as included within its policies and strategies) and ensure all areas are appropriately included in update and monitoring reports to the Committee (and Board where relevant).
- Ensure that business planning is reviewed to focus on developing a business plan, in consultation with key advisers and suppliers, proposing recommendations to the Committee on where resources should be focussed, and including the proposed budget for the year, all of which will need to be approved by the Committee (aligning with the SAB Good Governance proposals). Budgets should include all Pension Fund costs, including expected supplier costs (which Orbis should be expected to provide in relation to their systems, staffing and other charges to the Fund) and also the staffing costs relating to the Pension Fund team.
- Ensure that the improved monitoring drives appropriate discussion around areas such as improving systems and resourcing levels, which in turn may lead to changes in the proposed budget which should be agreed by the Committee.

Longer term priorities (in approximately 18 months' time)

- Carry out a review of the effectiveness of pension fund governance. This should be a wider focus, on all elements of good governance, perhaps using the Aon good governance framework. We would expect this to include a review of areas such as risk management and representation of stakeholders, as well as considering the success of implementing the recommendations outlined above. We believe it will also be important to gather feedback on the effectiveness of the new arrangements from those involved (Committee members, Board members, Pension Fund Management Team, key advisers and suppliers) once they have had time to bed in.

We look forward to having the opportunity to discuss our observations and recommendations with the Working Group and the Pension Committee. If there are any questions, please contact Karen McWilliam on 07711016707 or karen.mcwilliam@aon.com.

Annex A – ESCC Constitution Extracts

The following are extracted from the ESCC Constitution dated 6 January 2020
(date published April 2019)

Decision Making Arrangements

Size of the Cabinet and Committees

Pensions Committee – 5 Members (Quorum 3)

Part 3 – Responsibility for Functions:

1. Governance Committee Terms of Reference

20. To appoint to, and remove from, the Pension Board

21. To agree the level of remuneration for Pension Board Members

9. Pension Committee

Terms of Reference

(i) In accordance with the Local Government Pension Scheme Regulations and associated legislation, to exercise functions and responsibilities for dealing with the Pension Fund in conjunction with other bodies who contribute to the Fund.

(ii) To exercise the powers and duties of the County Council in respect of:

the pensions of all employees of the Council (except teachers), including the approval of pension fund admission agreements; and

management of the investment of the pension fund, receiving advice as appropriate from the Pension Board.

(iii) To make arrangements for the investment, administration and management of the Pension Fund.

(iv) To arrange for the appointment of investment managers and advisors.

(v) To agree Policy Statements as required under the Local Government Pension Scheme regulations.

(vi) To agree the Investment Strategy having regard to the advice of the Fund's Managers and the Pension Board.

(vii) To set the Investment Policy and review the performance of the Pension Fund's external investment managers.

(viii) To determine the fund management arrangements and to appoint fund managers and fund advisers.

- (ix) To decide on the admission and cessation of bodies to the Pension Fund.
- (x) To consider and agree actuarial variations.
- (xi) To ensure that the Pension Fund administration is conducted in accordance with relevant legislation.
- (xii) To appoint Additional Voluntary Contribution providers and to monitor their performance.

Membership

Five members appointed in accordance with political balance provisions.

10. Pension Board

Introduction

(i) The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions – as well as the relevant Pension Regulator’s codes of practice. This role is one of providing assurance in and governance of the scheme administration.

(ii) The *scheme manager (East Sussex County Council – ESCC) will provide the necessary input into the Pension Board to support the Board to deliver on its assurance responsibilities. This may require their attendance at meetings at the request of the Board.

(iii) The terms of reference, membership of the Pension Board and any variations thereof are determined by the Scheme Manager, i.e. ESCC.

Objectives of the Pension Board

(iv) To help to ensure that the East Sussex Pension Fund (ESPF) is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

(v) To provide assistance to East Sussex County Council as the LGPS Scheme Manager in securing compliance with:

LGPS Regulations and any other legislation relating to the governance and administration of the LGPS

requirements imposed in relation to the LGPS by the Pensions

Regulator

the agreed investment strategy

any other matters as the LGPS regulations may specify.

(vi) To assist with securing effective and efficient governance and administration of the LGPS for the East Sussex Pension Fund by:

Seeking assurance that due process is followed with regard to Pension Committee, and any identified issues raised by Board members.

Retaining an overview of LGPS policy and strategy and business plan timetable.

Making representations and recommendations to the Pension

Committee as appropriate.

Considering and, as required, responding to any Government / Responsible Authority performance data concerning the local fund.

(vii) The role of the Board will be oversight of these matters and not decision making.

Management and operation of the Pension Board

(viii) The Pension Board shall:

meet at least 4 times per year

have the power to establish sub committees or panels as required

agree a programme of training and development for its members.

provide the Scheme Manager (ESCC) with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

consider any issue raised by any Board Member in connection with the Board's work.

produce an annual report outlining the work of the Board throughout the scheme year, which will help to -

o inform all interested parties about the work undertaken by the Panel

o assist the panel in reviewing its effectiveness and identifying improvements in its future operations.

help to ensure that decisions made by ESCC are fully legally compliant, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman;

recommending changes to processes, training and/or guidance where necessary;

monitor administrative processes and supporting continuous improvements;

ensure the scheme administrator supports employers to communicate the benefits of the LGPS Pension Scheme to scheme members and potential new members.

Membership - composition of the Pension Board

(ix) The Pension Board shall consist of:

a) 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF. (Regulation 107 of the Pension Act permits elected members to sit on a local pension board. However, under Regulation 107(3), elected members or officers of ESCC (as the Scheme Manager), who are responsible for the discharge of any function under the Principal 2013 Regulations, may not sit on the Pension Board.)

b) 3 scheme member representatives - member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners).

c) 1 Independent Chair

(x) The Pension Board shall be chaired by an Independent Chair.

Appointment of members of the Pension Board

(xi) The appointment process has been approved by the Governance committee

(xii) All appointments to the Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair and Vice Chair.

Term of office

(xiii) The term of office for Board members shall be 4 years or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to terms of office up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted.

(xiv) A Board member who wishes to resign shall submit their resignation in writing to the Pension Board Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.

(xv) The role of the Pension Board members requires the highest standards of conduct and the Code of Conduct of the East Sussex County Council will apply to the Board's members. The County Council's Standards Committee will monitor and act in relation to the application of the Code.

(xvi) Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member, which will be in accordance with the Code of Conduct of the East Sussex County Council.

Independent Chair

(xvii) The Independent Chair will be the independent member appointed for a term of 4 years by Governance Committee or such time as resolved by the Governance Committee. A job description approved by the Committee will be used to identify the candidate best suited to the role.

(xviii) It will be the role of the Chair to -

Settle with officers the agenda for a meeting of the Board

Manage the meetings to ensure that the business of the meeting is completed

Ensure that all members of the Board show due respect for process and that all views are fully heard and considered

Strive as far as possible to achieve a consensus as an outcome

Ensure that the actions and rationale for decisions taken are clear and properly recorded.

(xix) Removal of the independent chair will be in accordance with the Code of Conduct of the East Sussex County Council and the County Council's Standards Committee decision.

Support arrangements

(xx) ESCC will provide secretariat, administrative and professional support to the Pension Board and as such will ensure that:

meetings are timetabled for at least four times per year

adequate facilities are available to hold meetings

an annual schedule of meetings is produced

suitable arrangements are in place to hold additional meetings if required

papers are distributed 5 clear working days before each meeting except in exceptional circumstances

minutes of each meeting are normally circulated 7 working days following each meeting.

Expert advice and information

(xxi) The Board will have access to professional advice and support provided by officers of East Sussex Pension Fund and, via them and where appropriate, advisers to the East Sussex Pension Fund.

(xxii) Insofar as it relates to its role, the Pension Board may also:

request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund

examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the

Fund.

access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major decisions, i.e., investment strategy, triennial valuation, etc.,

access to professional advice regarding non major decisions will require the approval of the Pension Committee for additional resources.

Knowledge and Skills

(xxiii) Board members will be required to have the 'capacity' to carry out their duties and to demonstrate a high level of knowledge and of their role and understanding of:

the scheme rules

the schemes administration policies

the Public Service Pensions Act (ie. being conversant with pension matters relating to their role).

(xxiv) A programme of updates and training events will be organised. Board members will be encouraged to undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters.

Minutes

(xxv) The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.

Standards of Conduct

(xxvi) The main elements of East Sussex County Council's Code of Conduct shall apply to Board members.

Access to the Public and Publication of Pension Board information

(xxvii) Members of the public may attend the Board meeting and receive papers, which will be made public in accordance with the Access to

Information Rules in East Sussex County Council's Constitution.

(xxviii) Up-to-date information will be posted on the East Sussex Pension Fund website showing:

- Names and information of the Pension Board members
- How the scheme members and employers are represented on the Pension Board
- Responsibilities of the Pension Board as a whole
- Full terms of reference and policies of the Pension Board and how it operates.

Expense reimbursement, remuneration and allowances

(xxix) All Pension Board members will be entitled to claim travel and subsistence allowances for attending meetings relating to Pension Board business (including attending training) at rates contained in the Members' Allowances Scheme in the East Sussex Council's Constitution. The Chair's remuneration will be agreed on appointment. All costs will be recharged to the Pension Fund.

Accountability

(xxx) The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the National Scheme Advisory Board. The National Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the DCLG) and the Scheme Manager (in this case East Sussex County Council). The Pensions Regulator will report to the Responsible Authority (again, DCLG) but will also be a point of escalation for whistle blowing or similar issues.

(xxxi) In addition the Pension Board will continue to provide regular updates to the Pension Committee governance process. ESPF officers will be responsible for the contractual arrangements.

Decision Making Process

(xxxii) Employer representatives and scheme member representatives have voting rights albeit the Board is expected to operate on a consensus basis.

(xxxiii) In the event of an equal number of votes being cast for or against a proposal there shall be no casting vote but the proposal shall be considered to have been rejected. The scheme manager shall be alerted when a decision is reached in this manner.

Attendance and quorum

(xxxiv) Four of the voting members of the Pension Board shall represent the quorum for Board meetings to discharge business. The Chair or Vice Chair must be present for any meeting to proceed.

(xxxv) Advisors and co-opted persons do not count towards the quorum.

Conflicts of Interest

(xxxvi) The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator's code. These declarations are

required as part of the appointment process, as well as at regular intervals throughout a member's tenure.

B. Chief Operating Officer

Finance

2. To pay statutory benefits under the Local Government Pension Scheme.

Corporate Personnel and Training Function

19. To authorise payment of awards under the Local Government (Discretionary Payments) Regulations.

20. To apply the discretionary provisions within the Local Government Pension Scheme Regulations.

F Assistant Chief Executive (i.e. Monitoring Officer)

(ii) The Assistant Chief Executive has been authorised to make decisions at Stage 2 of the internal dispute resolution procedure under the Local Government Pension Scheme (Administration) Regulations 2008 (Note: the Pension Compliance Manager has been authorised to deal with Stage 1 disputes).

G. Chief Finance Officer

3. To be responsible for implementing the policy decided by the Pension Committee and to act on its behalf in special or emergency situations where delay in the purchase or sale of investments might be detrimental to the interests of the East Sussex Pension Fund.

4. To authorise the approval of the terms of an admission agreement and any related bond or indemnity, with a body to which staff are being transferred under a Best Value arrangement, to participate in the East Sussex Pension Scheme.

5. To approve any requests, and undertake any necessary actions in connection with designating any employees, or class of employees, of the governing body of a foundation school as being eligible for membership of the East Sussex Pension Fund

6. To undertake any necessary actions in connection with admission of any academies to the East Sussex Pension Fund as scheme employers

7. To approve the terms of an Admission Agreement, together with any related bond or indemnity, under which a community association body may participate in the East Sussex Pension Scheme

Part 4 – Rules of Procedure

Standing Orders Part 1 – Council Meetings

9. at the annual meeting:

(a) to appoint the Scrutiny Committees, Audit Committee, Regulatory Committee, Planning Committee, Governance Committee, Pension Committee and Standards Committee.

(b) to appoint a Chair of the Regulatory Committee, and the Planning Committee (from among the members of the Regulatory Committee), and the Chairs of the Audit Committee, Scrutiny Committees, Pension Committee and Governance Committee (and Vice-Chair where the County Council considers it appropriate).

(7) Financial Procedure Rules

A.1.2 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

- Section 151 of the Local Government Act 1972;
- The Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Local Government Act 2003;
- The Accounts and Audit Regulations 2015
- Local Government Pension Scheme Regulations 2013

[Note – the financial procedure rules include more procedures relating to the management of pension fund monies but these are not included in this Annex].

[Annex B and C are separate documents for now]