



East Sussex Pension Fund

GOVERNANCE AND COMPLIANCE STATEMENT

June 2021

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Governance Policy Statement

Introduction

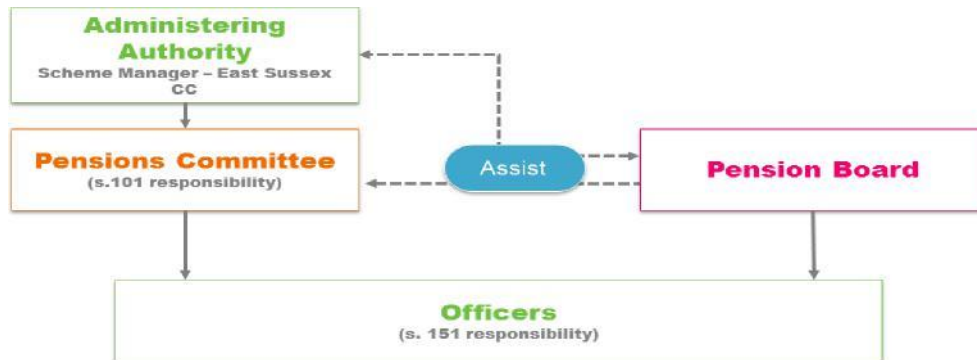
1. This is the Governance Policy Statement of the East Sussex Pension Fund (the Fund), which is managed by East Sussex County Council, the Administering Authority (Scheme Manager) on behalf of all the relevant employer bodies in the Fund. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish and keep under review a Governance Compliance Statement.
2. The Governance Compliance Statement of the East Sussex Pension Fund is comprised from the Compliance to Statutory Guidance Statement and a Governance Policy Statement. The Public Services Pensions Act 2013 (The Act) introduces a new framework for the governance and administration of public service pension schemes. The Act has a material impact on existing governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the LGPS regulations.
3. As a result of the Act, The Pensions Regulator introduced codes of practice covering specific areas relating to public sector pension schemes. The changes to the Fund because of the good governance review, concluded in 2020, require revisions to the existing East Sussex Pension Fund Governance Compliance Statement. It is noted that The Pensions Regulator intends to make changes to its Codes of Practice and the potential impact on the Fund is being monitored.
4. As Administering Authority, East Sussex County Council is the designated statutory body responsible for administering the East Sussex Pension Fund on behalf of the constituent Scheduled and Admitted Bodies in the relevant area. The Local Government Pension Scheme Regulations specify that, in investing the Fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

Governance of East Sussex Pension Fund

5. East Sussex County Council operates a Cabinet style decision-making structure. Under the Constitution, the Pension Committee has delegated authority to exercise the powers of the County Council in respect of the pensions of all employees of the Council (except teachers), including the approval of the Fund admission agreements. It also has authority for the management of the Fund.
6. The Fund governance focuses on:
 - The effectiveness of the Pension Committee, the Local Pension Board (Pension Board) and officers to which delegated function has been passed, including areas such as decision making processes, knowledge and competencies.
 - The establishment of policies and their implementation.
 - Clarity of areas of responsibility between officers and Pension Committee/Board members.
 - The ability of the Pension Committee/Board and officers to communicate clearly and regularly with all stakeholders.
 - The ability of the Pension Committee/Board and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
 - The management of risks and internal controls to underpin the framework.

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The Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Committee.



Responsibilities of the East Sussex Pension Committee

7. The Council's Pension Committee is established as the Fund's scheme manager and is responsible for arrangements for the investment, administration and management of the Fund. The Pension Committee is responsible for setting all Fund policies including the setting of the appropriate funding target for the East Sussex Pension Fund.
8. Detailed terms of reference for the Committee are included as **Appendix A**.

Responsibilities of the East Sussex Pension Board

9. To help to ensure that the East Sussex Pension Fund 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.
10. To provide assistance to East Sussex County Council as the Administering Authority and 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;
 - ensure effective and efficient governance and administration of the LGPS; and
 - any other matters as the LGPS regulations may specify.
11. The role of the Pension Board will be oversight of these matters and not decision making. The Board seeks assurance that due process is followed by the Fund.
12. Detailed terms of reference for the Board are included as **Appendix B**.

Operational Procedures of the Pension Committee and Pension Board.

13. The Pension Committee receives and reviews quarterly reports in relation to all its Investment Fund Managers through its Investment Consultant, Isio. The Pension Committee is also advised by an additional Independent Advisor to help balance the advice providing additional challenge and debate to decision making.
14. In addition, the Pension Committee and Pension Board is advised by the County Council's Chief Finance Officer (in their capacity as the Council's designated Treasurer).
15. The Pension Board meets two weeks in advance of the Pension Committee to enable the Board to consider and comment on the reports due to be considered by the Committee. This ensures the Committee takes into account the comments of the Board

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ahead of taking decisions, as the Board's minutes are included as part of the Committee agenda pack.

16. The Pension Board and Pension Committee consider reports on Administration of the Fund, the Risk register and any Fund Breaches at all core meetings.
17. Both the Pension Board and Pension Committee have access to professional advice via specialist advisers, where appropriate to work being carried out.
18. Agendas and reports for both the Board and Committee are published on the ESCC website at least 5 working days in advance of the meeting.
19. All meetings are open to the public except where the Board and Committee resolve to exclude the press and public due to the consideration of information that is exempt under section 12A of the Local Government Act 1972.
20. The work plan of both Board and Committee is set out in a work programme agreed at each meeting. This helps the stakeholders understand what will be discussed at future meetings.

Frequency of meetings of the East Sussex Pension Committee.

21. The Pension Committee meets at least 4 times a year.

Frequency of meetings of the East Sussex Pension Board.

22. The Pension Board meets at least 4 times a year.

Membership of the Pension Committee

23. The County Council appoints five members to the Committee in accordance with political balance provisions. All members of the Committee have voting rights.
24. In relation to pension matters, the Committee consider directly all issues relating to pension administration, such as changes in benefit regulation, admission agreements, the Pension Fund Investments, etc.

Membership of the Pension Board

25. In accordance with Regulation 107 of the LGPS Regulations 2014, a Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In considering the size of the East Sussex Pension Board, the Council has taken into consideration number of factors including:
 - The size of the Council's existing Pension Fund governing arrangement and decision making process.
 - The number of scheme members, number and size of employers within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters.
 - The direct and indirect cost of establishing and operating the Board.
26. Composition of the East Sussex Pension Board - The Pension Board shall consist of 7 members as follows:
 - Employer representative x 3 (to represent all employers within the scheme)
 - Scheme member representative x 3 (to represent all members of the scheme; active, deferred and pensioners)

- Independent Chair x 1
27. Employer representatives and scheme member representatives have voting rights. The Independent Chair does not have voting rights
 28. Where possible the employer representatives will be appointed to represent each of Brighton and Hove City Council as the second largest scheme employer after ESCC; the five district and borough councils; and all other employers. However, in practice, all will actively represent the full range of employers in the scheme.
 29. An independent chair is appointed to enhance the experience, continuity, knowledge, impartiality and performance of the Board. The chair of the Board is invited to attend Pension Committee meetings where they are able to report back on discussions and recommendations from the Board, to represent the views of the employer and member representatives into Fund decision making.
 30. The term of office for Board members is 4 years. This can be extended following reselection by 2 years.

Pension Board Representatives nomination/appointment

31. The methodology for appointing employer and member representatives is not prescribed by the Regulations. It is therefore up to the Administrative Body's (ESCC) discretion to establish an appropriate process, which has been included within the East Sussex Pension Board constitution and terms of reference. For details see Appendix B to this statement.
32. The term of membership and the impact of seeking representations every 4 years, a phased approach to the term of office for Pension Board members have been developed. Not all Pension Board member's terms of membership come to an end in the same year. This will then ensure that at no point is the Pension Board required to seek nominations for more than 50% of the Board.
33. The ESCC Governance Committee has the delegated authority to either confirm a full appointment of a Pension Board member for 4 years or to agree a temporary extension of the term by 2 years where the same term has not already been extended without a full appointment being made.

Vice Chair appointment

34. Meetings of the Pension Board cannot go ahead without the Chair or Vice Chair present, so there is a risk that a meeting of the Board would not be able to proceed if the Chair is unable to attend for any reason.
35. The Pension Board agreed that in order to maintain the balance between scheme members and employer representation that a scheme member vice chair and an employer vice chair would be nominated from the existing Pension Board members, and that the role of vice chair would alternate between scheme member and employer at each meeting.

Consultation with Employing Authorities

36. All employing bodies are kept informed of current pension issues, such as proposed changes in the regulations and their implications, by quarterly newsletter. They are encouraged to get in touch if they have questions.
37. In addition to these electronic briefings, the Fund holds an annual Employers' Forum to which all scheduled and admitted bodies of the Fund are invited. This was held virtually in 2020, due to the Covid-19 pandemic, but will be re-instigated as a physical event when Government guidelines permit. This annual meeting covers both actuarial and investment issues and always contains a presentation from the Fund's Actuary. The District Councils receive feedback from their representatives on the Pension Board

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and are also briefed on pension matters bi-monthly by the Fund's Treasurer at meetings of the East Sussex Financial Officers Association. Update briefings to these meetings are also circulated by email to all other employers in the East Sussex Pension Fund.

- 38. All employees receive periodic newsletter update on pension issues, especially on any changes affecting benefits. These updates are shared with all employers.
- 39. More detail on the approach to communication is covered in the separate Pension Fund Communication Statement.

Working Groups

- 40. The Fund has set up a number of working group to help progress specific projects or areas of focus. The Pension Board are able to initiate working groups to focus on areas that would benefit from focus of the employer or member representatives.
- 41. An update is provided at each Pension Board and Pension Committee meeting to report back on the activities of each working group.
- 42. In 2020/21 the Pension Fund had a Data Improvement Programme working group, an Investment Implementation working group, a McCloud working group and approved the creation of a Communications working group. There was an ESG (Environmental, Social and Governance) working group in operation during 2020 for research purposes but this was disbanded and absorbed into the Investment Implementation working group as it was agreed that ESG should not be considered as a separate issue but should be fully integrated within all investment decisions.
- 43. Each working group has it own terms of reference and membership which is firstly discussed at Pension Board and approved by Pension Committee.
- 44. Both the Data Improvement Programme working group and McCloud working group had member and employer representation during 2020/21.

Conflicts of interest

- 45. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of their duties as a member of the Pension Board or Pension Committee. It is not permitted for a Pension Board member to have an actual conflict of interest.
- 46. To prevent conflicts of interest members of the Pension Board, Committee and Officers are required to disclose interests. Potential conflicts are also disclosable as a standing item on the agenda for Board and Committee meetings.
- 47. Where a potential conflict of interests is identified the person with the potential, or perceived, conflict is not able to take part in discussions on the topic, excluded from voting, or otherwise has the conflict managed at the discretion of the Chair or Vice Chair as appropriate.
- 48. The Fund approved its own conflict of interest policy in November 2020, to bring the Fund in line with the findings of the Scheme Advisory Board's (SAB'S) Good Governance Report.

Knowledge and understanding

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49. It is a requirement that members of the Pension Board have sufficient knowledge and understanding to carry out their function. Where a new member joins the Pension Board they are to develop this level of knowledge as soon as possible. Whilst the law does not stipulate a timeframe it does for a new trustee of a private occupational scheme and an inference can be drawn the same six-month time period should apply.
50. The SAB's Good Governance Report says that Officers and Committee members should also have sufficient knowledge and understanding to carry out their functions. The Fund's Training Policy is in line with this recommendation and applies to Pension Board and Committee members as well as officers. It is linked to the CIFPA skills matrix.
51. The Fund has recruited a Pensions Training Co-ordinator. This Officer will engage with the Chairs of both the Pension Board and Pension Committee to establish the individual needs of members, as well as liaise with Officers, to develop a detailed training plan. This plan will be in line with the published Training Policy. The amount of spent training will also be recorded.
52. New members of the Pension Board and Committee, along with those already in role and relevant officers, are invited to induction training. Some of this training is provided by the Fund's legal and actuarial advisors.
53. The Fund carried out a training needs analysis in 2020 with Committee and Board members through a knowledge based questionnaire. The results of these training needs lead to the creation of the annual training plan for Board and Committee members.
54. The Fund invite members of both the Board and Committee to a range of inhouse and external training sessions and conferences to help develop their knowledge and skills relevant to their roles. In addition, officers attend training sessions and conferences in compliance with the training strategy and their professional CPD requirements to stay current.

Good Governance report

55. In February 2021 the SAB published an updated version of its report following its review of good governance across the LGPS. This report covers representation, conflicts of interest and knowledge and understanding. The findings of these areas are referred to in the relevant sections above. Additionally, the SAB made a number of recommendations in the areas of service delivery along with compliance and improvement.
56. The SAB recommends that all funds in the LGPS should have a Pension Administration Strategy. The Fund updated and enhanced their policy in 2020 to ensure this is more complete and accessible. This strategy was shared with employers in the Fund as part of a consultation process prior to implementation. The Pension Administration Strategy is also publicly available on the Fund's website.
57. The SAB has also recommended that Fund's obtain a biennial independent governance review. The Fund has undertaken governance reviews with reports being produced by external consultants in both January 2019 and May 2020, highlighting a number of recommendations to Fund governance to be compliant with the recommendations from the SAB good governance projects phase 2 report published in November 2019. The fund finished implementing the recommendations from the second report in November 2020. The Fund has undertaken a series of audits on both administration and internal governance in the past year with the results shared with the Pension Board and

Pension Committee. These reviews were conducted by Orbis Internal Audit team and the Fund is committed to undertaking regular audits, both internally and externally.

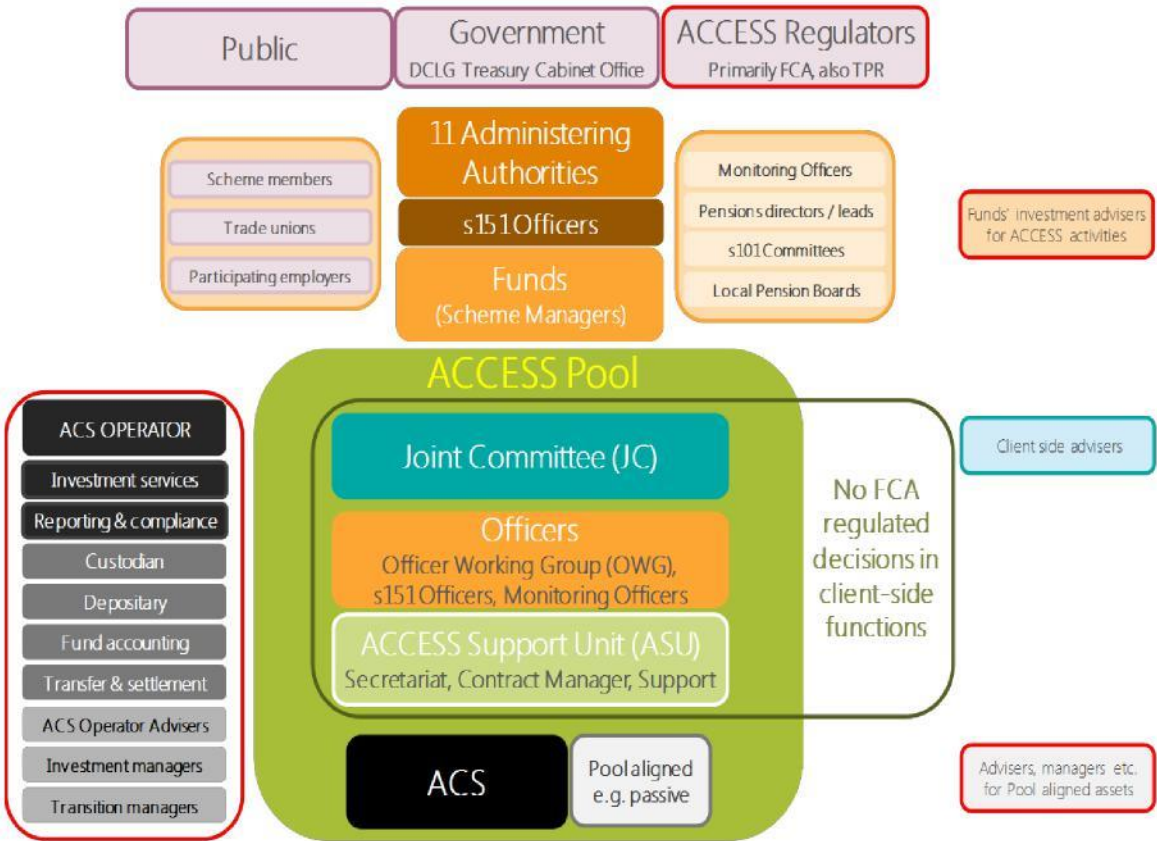
LGPS Asset Pooling Governance - ACCESS Pool

58. ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities, which are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating with a clear set of objectives and principles that drives the decision making process.

ACCESS Pool Governance

59. The ACCESS Pool is not a legal entity in itself but is governed by the Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.
60. The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.
61. The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the S151 Officers, Officer Working Group and the ACCESS Support Unit. The Officer Working Group are officers identified by the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.
62. The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services.
63. The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.
64. Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making power to their own Funds asset allocation and the pooling of assets that each Fund holds within the arrangements developed by the ACCESS Pool.
65. The diagram below sets out the overarching ACCESS governance arrangements.

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ACCESS Pool Operator

66. Link Fund Solutions Ltd was appointed to provide a pooled operator service. Link is responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds. The operator role is FCA regulated.

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Delegation of Functions

The following functions are delegated by the Administering Authority:

Scheme Administration

Governance Principles: Effective committee delegation; appropriate accountability; rigorous supervision and monitoring

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, and provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

Delegated to:

Pension Committee (monitoring)

Chief Finance Officer (Pension Fund Governance and Investment implementation)

Funding

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS). The Pension Committee shall be responsible for approving the FSS.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

Investment

Governance Principles: Effective committee delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Committee shall be responsible for maintaining the Investment Strategy Statement (ISS).

Delegated to:

Pension Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

Communications

Governance Principle: Effective information flow; written plan policies

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Including setting of a communication strategy, issuing of benefit statements, annual newsletters, and annual report. The Pension Committee shall be responsible for maintaining the Communications Policy.

Delegated to:

Pension Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

Risk Management

Governance Principle: Effective committee delegation; appropriate accountability; written plan policies

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

Delegated to:

Pension Committee (pension fund risk register approval)

Chief Finance Officer (maintaining the pension fund risk register)

Delegations by the administering authority are published in the Council's constitution which can be accessed at

<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/constitution/>

Terms of Reference and Decision Making

Terms of Reference:

Governance Principle: Effective board delegation; written plan policies

The Pension Fund Committee Terms of Reference as approved by Full Council in July 2020 are shown in **Appendix A** to this document.

The Pension Board Terms of Reference as approved by Full Council in July 2020 are shown in **Appendix B** to this document.

Working groups of the Fund have terms of reference that are approved by the Pension Board and Pension Committee.

Administration, Funding, Investment, Communications and Risk Management

In line with the Council's Constitution, the Pension Committee shall oversee Pension Fund administration, funding, investment, communication, risk management and the overall governance process surrounding the Fund.

Any change in relation to the Funding Strategy Statement, is consulted with scheme employers prior to adoption.

Structure of the Pension Committee and representation:

Governance Principle: Effective committee delegation

The Pension Committee shall be made up of:

5 County Councillors appointed by the Governance committee according to the political makeup of the council including the chairman. Decision making quorum of 3 members.

The Pension Board is made up of three Scheme member representatives, to represent all members of the scheme; active, deferred and pensioners; three Scheme employer representatives to represent all employers within the scheme; and an Independent Chair.

Scheme member representatives and Scheme employer representatives are members of working groups.

Scheme employers are invited to an annual employer forum for training and information on developments within the scheme. Employers are able to raise topics of interest for this forum and ask questions of officers and advisers as required at the event.

The Fund created an Employer Engagement team to specifically focus on improving the information sharing and support to scheme employers.

Decision Making:

Governance Principle: Effective committee delegation; rigorous supervision and monitoring

The Pension Committee shall have full decision-making powers. Each member of the Pension Committee shall have full voting rights.

Operational Procedures

Frequency of Meetings:

Governance Principle: Effective board delegation; effective information flow

The Pension Committee shall meet quarterly. The Pension Committee shall receive full reports upon all necessary matters as decided by the Chief Finance Officer, and any matters requested by members of the Pension Board for consideration by the Committee. Provision exists for the calling of special meetings if circumstances demand.

The Pension Board shall meet quarterly. The Pension Board shall receive full reports upon all necessary matters as decided by the Chief Finance Officer. Generally, the Pension Board receive the same reports as Pension Committee, excluding Investment reports. Pension Board then feed comments back to Committee in advance of decisions being made.

Competencies, Knowledge and Understanding:

Governance Principle: Effective board delegation; appropriate accountability

Officers and Members of the Pension Committee shall undertake training to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. This is laid out in the approved training strategy for the Fund.

Pensions Board have a statutory obligation to carry out sufficient knowledge and skills training.

It is recommended that such knowledge, understanding and competency are evaluated on an annual basis to identify any training or educational needs of the Officers, the Pension Committee and the Pensions Board.

Reporting and Monitoring:

Governance Principle: Rigorous supervision and monitoring; effective information flow

i) Pension Board

The Pension Board is established by the administering authority to assist in securing compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the scheme, and any requirements imposed by The Pensions Regulator.

The Pension Committee shall:

- Provide the Pension Board with adequate resources to fulfil its role.
- Consider and respond to reports from the Pension Board within a reasonable period of time.

The Pension Board minutes are considered at the start of each Pension Committee meeting to ensure views of Board are taken into account for effective decision making.

The Pension Board

The role of the Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, is to assist the Administering Authority:

- to secure compliance with:
 - i) The scheme regulations;

- ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
 - iii) any requirements imposed by The Pensions Regulator in relation to the LGPS Scheme.
- to ensure the effective and efficient governance and administration of the LGPS Scheme.

Terms, Structure and Operational Procedures

The Pension Board's Terms of Reference as approved by Full Council in July 2020 are shown in **Appendix B** to this document.

Review of Governance Policy Statement

Responsibility for this document resides with the Chief Finance Officer and will be reviewed by no less frequently than annually. This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

Pension Committee terms of reference and membership

(a) Membership

- (i) The East Sussex Pension Committee will be composed of five members of East Sussex County Council, determined by the Council at the Council's Annual Meeting. (N.B. When making nominations Members should have regard to the need to ensure a balance of experience and continuity).
- (ii) Named substitutes are permitted for East Sussex County Council members.

Terms of Reference

The Pension Committee's will exercise on behalf of East Sussex County Council all of the powers and duties in relation to its functions as the Scheme Manager and Administering Authority for the East Sussex Pension Fund except where they have been specifically delegated to another Committee. The Pensions Committee will exercise its functions in accordance with the fiduciary duties of the Council as the administering authority of the East Sussex Pension Fund.

The Pension Committee will have the following specific roles and functions, taking account of advice from officers and the Fund's professional advisers.

- (i) Ensuring the Fund is administered, managed and pension payments are made in compliance with the regulations and having regard to statutory guidance that govern the operation of the Local Government Pension Scheme from time to time, and other legislation.
- (ii) Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including but not limited to funding, investment, administration, communication and governance.
- (iii) Determining how the various administering authority discretions are operated for the Fund.
- (iv) Monitoring the implementation of all Fund policies and strategies on an ongoing basis.
- (v) In relation to the LGPS ACCESS Pension Fund Pool;
 - a. considering pooling matters including recommendations made by the ACCESS Joint Committee;
 - b. determining the transition of the assets held by East Sussex Pension Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
 - c. recommending to the Governance Committee a member of the East Sussex County Council Pension Committee to the Joint Committee as and when required, having regard to the advice of the Head of Pensions;
 - d. appointing an East Sussex County Council officer to working groups such as the Officer Working Group and Onboarding Sub-Group as and when required;
 - e. advising the representative on the Joint Committee and Officer Working Group on such matters as may be required;

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- f. monitoring the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee, Officer Working Group or ACCESS Support Unit, as appropriate;
 - g. receiving and considering reports from the LGPS ACCESS Joint Committee, Officer Working Group and the Operator;
 - h. undertaking any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required, including but not limited to appointment, termination or replacement of the Operator and approval of the strategic business plan.
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- (vi) Making arrangements for actuarial valuations, ongoing monitoring of liabilities and undertaking any asset/liability and other relevant studies.
 - (vii) Making decisions relating to employers joining and leaving the Fund. This includes approving which employers are entitled to join the Fund, and any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - (viii) Agreeing the policy for exit credits and terms on which employers may leave the Fund. Approving decisions on cessations, post cessation arrangements, guarantees and bonds.
 - (ix) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - (x) Ensuring robust risk management arrangements are in place, considering and making recommendations in relation to the internal audit strategy and internal audit report pertaining to the management of the fund and reviewing its findings.
 - (xi) Agreeing the Fund's annual business plan and annual and medium term budgets, and monitoring progress against them.
 - (xii) Selection, appointment and dismissal of the Fund's advisers and suppliers, including actuary, benefit consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, Additional Voluntary Contribution providers and independent professional advisors. This includes determining the services to be provided and monitoring those services, including where this relates to shared services arrangements.
 - (xiii) Agreeing the Fund's Knowledge and Skills Policy and monitoring compliance with the policy.
 - (xiv) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - (xv) Considering views expressed by employing organisations and staff representatives in relation to the operation of the East Sussex Pension Fund.
 - (xvi) Considering the Fund's financial statements and approving an Annual Report on the activities of the Fund in line with legislation and guidance.
 - (xvii) Considering the Breaches Register at every quarterly Pension Fund meeting and reviewing recommendations from the Pensions Board.

Notes: 1. No matters relating to East Sussex County Council's responsibilities as an employer participating within the East Sussex Pension Fund are delegated to the Pension Committee.

Notes: 2 As a Non-Executive Committee, no matters relating to the Pension Fund's non-executive responsibilities as Scheme Manager are delegated to an Executive of East Sussex County Council.

Notes: 3 The Committee's primary contacts will be the Head of Pensions, Chief Finance Officer and its retained advisors

Training

The East Sussex Pension Fund has a dedicated Knowledge and Skills Policy which applies to all members of the Committee and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

Constitution and terms of reference of the East Sussex Pension Board

Introduction

- (i) The Pension Board is established by East Sussex County Council (ESCC) under the powers of Section 5 of the Public Services Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 ("the LGPS regulations" which includes such regulations as govern the Local Government Pension Scheme from time to time). ESCC is the scheme manager (and administering authority) to the East Sussex Pension Fund (ESPF).
- (ii) The East Sussex Pension Fund Board was appointed by East Sussex County Council (the Scheme Manager and Administering Authority to East Sussex Pension Fund) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013. As such, Parts 4 Rules of Procedure (Council's procedural Standing Orders) sub-parts 1, 2, 3, 4, 5 and 6 of the Constitution of East Sussex County Council do not apply to this Pension Fund Board unless expressly referred to within and permitted by these Terms of Reference and Rules of Procedure. The Board will exercise all its powers and duties in accordance with legislation and these Terms of Reference and Rules of Procedure. The Board shall have the power to do anything which is considered to facilitate, or is conducive or incidental to, the discharge of its functions. Powers of the Pension Board.
- (iii) The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.
- (iv) ESCC considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead can make recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by ESCC to committees, sub-committees and officers of ESCC, remain solely the powers and responsibilities of those committees, subcommittees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the ESPF Pension Committee.
- (v) The Pension Board will ensure that in performing their role it:
 - a. is done effectively and efficiently and
 - b. complies with relevant legislation and
 - c. is done by having due regard and in the spirit of The Pensions Regulator's Code of Practice and any other relevant statutory or non-statutory guidance.

Objectives and role of the Pension Board

- (vi) The role of the Pension Board is defined by the LGPS Regulations as being to assist the Scheme Manager (ESCC as Administering Authority) to:
 - a. secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS and requirements imposed in relation to the LGPS by the Pensions Regulator
 - b. ensure the effective and efficient governance and administration of the LGPS. This should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

- (vii) In doing this the Pension Board:
- a. shall assist the Scheme Manager with such matters as the LGPS Regulations and guidance may specify
 - b. shall seek assurance that due process is followed with regard to Pension Committee and may review any decisions made by or on behalf of the Scheme Manager or action taken by the Scheme Manager
 - c. shall seek assurance that any identified issues raised by Pension Board members are considered
 - d. shall comment on and assist in identifying and managing breaches of the law in relation to ESPF matters
 - e. shall make representations and recommendations to the Pension Committee as appropriate and shall consider and, as required, respond to any Government / Responsible Authority or Scheme Advisory Board requests for information or data concerning the Fund
 - f. may also undertake other tasks, including (but not limited to):
 - i. assisting the Pension Committee by reviewing aspects of the performance of the ESPF – for example by reviewing the risk management arrangements within ESPF (although the Pension Committee will remain accountable for risk management);
 - ii. reviewing administration standards or performance or review efficacy of ESPF member and employer communications; or reviewing published policies to ensure they remain fit for purpose and are complete;
 - iii. reviewing ESPF annual reports; or being part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and ESPF members;
 - iv. discussing strategic matters such as communications where requested by the Pension Committee.
 - g. will produce an annual report which is shared with the Scheme Manager. It will outline the work of the Pension Board throughout the scheme year, which will help to –
 - i. inform all interested parties about the work undertaken by the Pension Board
 - ii. assist the Pension Board in reviewing its effectiveness and identifying improvements in its future operations.
 - h. shall carry out an annual self-assessment of the effectiveness of the Pension Board, and produce a report on this which will be shared with the Pension Committee.
 - i. must provide a record of each meeting to the following Pension Committee meeting and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board
 - j. shall assist in considering whether the East Sussex Pension Fund is being managed in accordance with the LGPS and other relevant legislation, 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
 - k. shall monitor administrative processes and support continuous improvements
 - l. will ensure the scheme administrator supports employers to communicate the benefits of the LGPS to scheme members and potential new members.

Membership

- (viii) The Pension Board shall consist of:
- a. 3 employer representatives - employer representatives that can offer the breadth of employer representation for the ESPF.
 - b. 3 scheme member representatives – member representatives nominated to ensure a broad representation of scheme membership (active, deferred, and pensioners) to include:

1. two will be nominated by the trade unions, and
 2. the rest will be drawn from the total ESPF active, deferred and pensioner membership.
- c) 1 Independent Chair.
- (ix) The Pension Board shall be chaired by an Independent Chair.
 - (x) Substitutes for Board members are not permitted.
 - (xi) The Quorum of the Board will be 3 Members, excluding the Independent Chair. To be quorate the meeting must include at least one employer representative and one scheme member representative.
 - (xii) The Board has the power to set up working groups

Appointment of members of the Pension Board

- (xiii) The appointment process has been approved by the Governance Committee.
- (xiv) All appointments to the Pension Board shall be by the Governance Committee under delegated authority from the County Council, including the Independent Chair. The Vice Chair will alternate between scheme member representatives and employer representatives at each meeting. The Vice Chairs will be nominated from the existing Board members whenever one of the existing Vice Chairs is replaced.
- (xv) Appointments to the Pension Board shall be managed, wherever possible, so that appointment and termination dates are staggered such that there remains continuity for one meeting to the next.

Term of office

- (xvi) Employer representative appointments will expire after a 4 year period from their date of appointment by the Governance Committee or such time as resolved by the Governance Committee. The Governance Committee may agree an extension to this period by up to a further 2 years after which there shall be a further appointment process. Reappointment of existing members is permitted. Appointment will automatically cease if the individual is no longer in the employment of that employer, no longer holds office in relation to that employer or is no longer an elected member of that employer, as appropriate.
- (xvii) Scheme member representative appointments will expire after a 4-year period from their date of appointment by the Governance Committee 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. Appointment will automatically cease if the individual is no longer a trade union representative or representative of ESPF members (in accordance with the criteria set by the Governance Committee).
- (xviii) The Independent Chair appointment will expire after a period of 4 years from their date of appointment by the Governance Committee. The Governance Committee may agree an extension to terms of office by up to a further 2 years after which there shall be a further appointment process. Reappointment of the Independent Chair is permitted.
- (xix) Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Governance Committee.
- (xx) A Pension Board member who wishes to resign shall submit their resignation in writing to the Independent Chair. A suitable notice period must be given, of at least 1 month, to enable a replacement member to be found.
- (xxi) The role of the Pension Board members requires the highest standards of conduct and the ESCC Code of Conduct for Members will apply to the Pension Board's members. ESCC Standards Committee will monitor and act in relation to the application of the Code.

- (xxii) Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Pension Board member by the Governance Committee.
- (xxiii) Removal of the Independent Chair will be by the Governance Committee.

Chairing

- (xxiv) It will be the role of the Chair to –
 - a. Settle with officers the agenda for a meeting of the Pension Board
 - b. Manage the meetings to ensure that the business of the meeting is completed
 - c. Ensure that all members of the Pension Board show due respect for process and that all views are fully heard and considered
 - d. Strive as far as possible to achieve a consensus as an outcome
 - e. Ensure that the actions and rationale for decisions taken are clear and properly recorded
 - f. Uphold and promote the purpose of the Pension Board, and to ensure that meetings are properly conducted and professional advice is followed
 - g. To use their expertise and experience and liaise with the Head of Pensions to arrange such advice as required subject to agreement by the Head of Pensions on such conditions as that officer determines
 - h. Sign the minutes of each Pension Board meeting following approval by the Board
 - i. Prepare with the Head of Pensions an appropriate budget for the Pension Board's consideration before being formally considered by the Scheme Manager along with the ESPF Annual Budget
 - j. Liaise with officers and advisors on the requirements of the Pension Board, including advanced notice for Scheme Manager officers to attend and arranging dates and times of Board meetings
 - k. Provide guidance on all points of procedure and order at meetings having regard to advice from officers
 - l. Other tasks which may be deemed appropriate by the Scheme Manager for the Independent Chair of the Pension Board
 - m. Liaise with the Chair of the Pension Committee as deemed appropriate
 - n. Other tasks that may be requested by the Board, within the remit of these Terms of Reference and subject to agreement with the Head of Pensions
 - o. Annually review and report on the activities of the Pension Board
 - p. Commission a triennial review of LGPS & public pension fund non-statutory best practice guidance (referencing the SAB & other relevant bodies deemed relevant by the Board) which then brings recommendations to the Committee (when appropriate) for amendments to the operation of the Fund. Support arrangements and administration
- (xxv) ESCC officers will provide governance, administrative and professional support to the Pension Board, and ESCC Member Services will provide secretariat support to the Pension Board, and as such will ensure that:
 - a. meetings are timetabled for at least four times per year
 - b. adequate facilities are available to hold meetings
 - c. an annual schedule of meetings is produced
 - d. suitable arrangements are in place to hold additional meetings if required
 - e. papers are distributed 5 clear working days before each meeting except in exceptional circumstances
 - f. draft minutes of each meeting are normally circulated 7 working days following each meeting including all actions, decisions and matters where the Pension Board was unable to reach a decision will be recorded
 - g. final reports, minutes and agendas relating to the Pension Committee are shared appropriately with the Board.

- (xxvi) The records of the meetings may, at the discretion of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act.
- (xxvii) The minutes and any consideration of the Pension Board shall be submitted to the Pension Committee.
- (xxviii) The Pension Board must comply with the General Data Protection Regulation and the Scheme Manager's data protection policy. It must also adhere to the Scheme Manager's requirements, controls and policies for Freedom of Information Act compliance.

Expert advice and access to information, including the Pension Committee

- (xxix) The Pension Board will have access to professional advice and support provided by officers of ESCC and, via them and where appropriate, advisers to the ESPF. In addition, Pension Board members will receive the final reports, minutes and agendas relating to the Pension Committee, save where the Committee expressly decides otherwise such as where an item is exempt, although this is anticipated to be in exceptional cases.
- (xxx) Insofar as it relates to its role, the Pension Board may also:
 - a. request information and reports from the Pension Committee or any other body or officer responsible for the management of the Fund
 - b. examine decisions made or actions taken by the Pension Committee or any other body or officer responsible for the management of the Fund.
 - c. access independent professional advice from actuaries, other independent advisers, and investment managers as required, where there are major matters being considered, i.e. investment strategy, triennial valuation, etc.,
 - d. access to professional advice regarding non-major decisions will require the approval of the Pension Committee for additional resources
 - e. attend all or any part of a Pensions Committee meeting unless they are asked to leave by the Committee or as a result of a conflict of interest.
- (xxxi) ESCC officers will provide such information as is requested that is available without incurring unreasonable work or costs.

Knowledge and Skills

- (xxxii) Pension 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:
 - a. the scheme rules (i.e. regulations)
 - b. the schemes administration policies
 - c. the Public Service Pensions Act (i.e. being conversant with pension matters relating to their role) and the law relating to pensions.
- (xxxiii) A programme of updates and training events will be organised by ESPF officers.
- (xxxiv) It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
- (xxxv) In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:
 - a. participate in training events (a written record of relevant training and development will be maintained)

- b. undertake a personal training needs analysis or other means of identifying any gaps in skills, competencies and knowledge relating to Pension Board matters
- c. comply with the Fund's Knowledge and Skills Policy insofar as it relates to Pension Board members

Standards and Conflicts of Interest

- (xxxvi) A conflict of interest is defined in the Public Service Pensions Act 2013 as: "in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."
- (xxxvii) 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.
- (xxxviii) The Pension Board shall adopt a policy for identifying and managing potential conflicts of interest.
- (xxxix) Members of the Pension Board must provide, as and when requested by the Scheme Manager, such information as the Scheme Manager requires to identify all potential conflicts of interest and ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest at appointment or whilst a member of the Pension Board.
- (xl) Part 5(1) of ESCC Code of Conduct shall apply in relation to the standards of conduct of Pension Board members, insofar as they can be reasonably considered to apply to the role of members of the Board, including the non-disclosure of confidential information.
- (xli) Members of the Pension Board must adhere to the requirements of the ESPF Procedure for Monitoring and Reporting Breaches of the Law and should be mindful of the individual legal requirements in Section 70 of the Pensions Act 2004 relation to reporting breaches of the law in relation to ESPF matters.

Access to the Public and Publication of Pension Board information

- (xlii) Members of the public may attend the Pension Board meeting and receive papers, which will be made public in accordance with the Access to Information Rules in ESCC's Constitution.
- (xliii) In accordance with the Public Service Pensions Act 2013, ESCC is required to publish information about the Pension Board and up-to-date information will be posted on the ESPF website showing:
 - a. Names of and information regarding the Pension Board members
 - b. How the scheme members and employers are represented on the Pension Board
 - c. Responsibilities of the Pension Board as a whole
 - d. Full terms of reference and policies of the Pension Board and how it operates.
- (xliv) In accordance with good practice, ESPF may publish other information relating to the Pension Board as considered appropriate from time to time and which may include:
 - a. the agendas and meeting records
 - b. training and attendance logs
 - c. an annual report on the work of the Pension Board.

- (xlv) All or some of this information may be published using the following means or other means as considered appropriate from time to time:
 - a. on the ESPF website – <https://www.eastsussex.gov.uk/yourcouncil/pensions/members/>
 - b. on the ESCC website – <http://www.eastsussex.gov.uk>,
 - c. within the ESPF Annual Report and Accounts,
 - d. within the ESPF's Governance Policy and Compliance Statement.
- (xlvi) Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

Expense reimbursement, remuneration and allowances

- (xlvii) 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 ESCC's Constitution. In addition, scheme member representatives may be paid an allowance equivalent to the co-optees' allowance in the ESCC Scheme of Members' Allowances in relation to time spent at meetings and training events relating to their role as a ESPF Pension Board member, unless they are attending they are attending during their normal working day without a reduction in pay or leave (in which case no allowance will be paid for that time).
- (xlviii) The Independent Chair's remuneration will be approved by the Governance Committee following consultation with the Chair of the Pension Committee.
- (ii) All costs will be recharged to the Fund.

Accountability

- (i) The Pension Board collectively and members individually are accountable to the Scheme Manager (ESCC), the Pensions Regulator, and the Local Government Pension Scheme Advisory Board. The Local Government Pension Scheme Advisory Board will advise the Responsible Authority (in the case of the LGPS the MHCLG) and the Scheme Manager. The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues.

Decision Making Process

- (li) Employer representatives and scheme member representatives have voting rights, albeit the Pension Board is expected to operate on a consensus basis. The Independent Chair does not have voting rights.
- (lii) 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.

Reporting and escalation

- (liii) The Pension Board must provide minutes of each meeting to the following Pension Committee meetings and may make reports and recommendations to the Pension Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided in advance of the next Pension Committee meeting to the S151 Officer.
- (liv) An annual report of the Pension Board must be provided to the S151 Officer, the Monitoring Officer, the Pension Committee, and the Audit Committee and be published in the Fund's Annual Report and Accounts.
- (lv) Where the Pension Board considers that a matter brought to the attention of the Pension Committee has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Monitoring Officer.
- (lvi) The Breaches Register will be presented at each meeting and considered by the Pension Board who may make recommendations to the Pension Committee.

Review, Interpretation and Publication of Terms of Reference and Rules of Procedure

- (lvii) These Terms of Reference have been agreed by ESCC. The Council will monitor and evaluate the operation of the Pension Board and may review these Terms of Reference and Rules of Procedure from time to time.
- (lviii) These Terms of Reference are incorporated into the Council's Constitution and published on the Council's website and may be amended by the same means as permitted for the Constitution. It will also form part of the ESPF's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.