

**Report to:** Pension Board

**Date of meeting:** 2 November 2023

**By:** Chief Finance Officer

**Title:** Governance Report

**Purpose:** To provide an update on governance workstreams and changes effecting Local Government Pension Schemes and the East Sussex Pension Fund

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## RECOMMENDATIONS

The Pension Board is recommended to note the report.

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### 1 Background

1.1 This report is brought to the Pension Board to provide an update on the steps being taken to adopt good practice and ensure compliance with regulatory requirements for the East Sussex Pension Fund (the Fund or ESPF).

### 2 Pension Committee meeting

2.1 The Pension Committee last met on 19 September 2023. The Pension Committee received many of the same papers as discussed at Board on the 6 September 2023. Pension Board members Ray Martin, Councillor Andrew Wilson and Tim Oliver attended the Committee. A summary of the meeting is included as **Appendix 1** to this report.

2.2 Following the Committee meeting a call was arranged on 25 September 2023 with the Pension Board members to discuss the draft consultation response to the Department of Levelling Up Housing and Communities (DLUHC) to allow employer and member representative to understand the position of the Fund in relation to the proposals in the consultation and take comments from the Board members into account in the final revision. The consultation response was submitted to DLUHC on 2 October 2023. During the call, the Board members were given the opportunity to raise any questions or comments on the Investment Strategy Statement, which was approved by the Committee.

### 3 Funding and Investment

3.1 At its meeting of 30 May 2023 the Pension Board reviewed the Fund's Governance and Compliance Statement. It was noted that the Statement indicates that the Pension Board considers all papers taken to the Pension Committee other than investment papers. However, it also sets out, as part of the Terms of Reference of the Pension Board, that the objectives and role of the Board covers all aspects of governance, including funding and investments.

3.2 During discussion it was suggested that the Board is responsible for governance structure, and the manner in which investment decisions are reached, but it is not for the Board to understand investment strategy, the detail of investment activity or the performance of investment managers, all of which lie with the Committee. The meeting resolved that a summary of Pension Committee minutes would in future be included in the Pension Board's agenda to enable consideration, and provide Board comfort that investment decisions are made appropriately, which are now included within this report.

3.3 The relationship between funding and investment is fundamental to the solvency of the Fund and from a fiduciary governance perspective is worthy of periodic consideration. To enable the

Pension Board to better understand the solvency of the Fund and impact of markets and investment strategy, the 30 June 2023 quarterly funding update report by the actuary is included as **Appendix**

3.4 To effectively realise its objectives the Pension Board would benefit from a broader and deeper understanding of ongoing funding requirements and the performance of investment activity, this will be incorporated into the Fund's training programme.

#### **4 Pension Board membership**

4.1 In September 2023 the Governance Committee agreed an Officer recommendation that Trevor Redmond be appointed to the Pension Board. Trevor Redmond has been appointed as a member representative, filling the vacancy left by Lynda Walker's resignation. Trevor was nominated by Unison to sit on the Board and met with the Chair of the Board and the Funds Governance and Compliance manager prior to the recommendation being made to Governance Committee. There are no vacancies remaining on the Pension Board.

4.2 The Governance Committee also approved Councillor Andrew Wilson and Neil Simpson's appointment to Vice Chairs of the Pension Board.

#### **5 McCloud**

5.1 In September 2023 the Government laid new Regulations before Parliament on the McCloud remedy. HM Government's policy is unchanged from its earlier position as stated in the consultation reported to the Pension Board and Committee in early September 2023.

5.2 The new Regulations, and consultation response, make reference to a range of both statutory and non-statutory guidance which is expected in due course at time of writing. The Regulations went into force on 1 October 2023 and Officers do not expect a material impact on current workloads at this time, unless manual calculations are required while there is no data in the system. As the required guidance and actuarial factors did not exist at the time the legislation came into force, processing transfers for members affected by the McCloud remedy was put on hold at the recommendation of the LGA.

5.3 Officers continue to liaise with employers to gather accurate data needed in order to calculate any changes to benefits in accordance with the new Regulations.

5.4 Officers have met with the Fund's software provider to discuss the initial data. Questions have been raised regarding the data provided to the Fund and there is an expectation that active member data will not be ready for some months. Officers will work with the software provider to enable calculations to be carried out accurately using the system when data is complete, reducing the need for manual intervention.

#### **6 Award winning**

6.1 The Fund won the 2023 award for best LGPS Governance, at the LAPF investment awards. This award is testament to the hard work and dedication shown by the team. Governance is about having a clear purpose and strategy, the right skills and experience available, managing risks and conflicts of interest, and making sure the pension scheme provides value for members. To win the award, the Fund had to provide evidence that demonstrated how it had performed against four distinctive areas; the fourth area being how the Pension Board assists the governance of the Fund.

#### **7 Conclusion**

7.1 The Board is asked to note this report.

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