

Report to: Pension Committee

Date of meeting: 21 November 2024

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

RECOMMENDATIONS

The Pension Committee is recommended to note this report

1 Background

1.1 This report is brought to the Pension Committee 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 Legal and regulatory changes

2.1 As reported at the September meeting of the Committee, in July 2024, the new Chancellor of the Exchequer Rachel Reeves, announced a pensions' review to boost investment and tackle waste in the pensions system, stating that action will be taken to unleash the full investment might of the £360bn LGPS to make it an engine for growth and tackle the £2bn that is being spent on fees. The work announced, focusing on investments, was stated to be the first phase in reviewing the pensions landscape.

2.2 The announcement of the pensions review on 20 July 2024 was swiftly followed on 4 September 2024 by a call for evidence from interested parties to inform phase one of the review. The review aims to boost investment, increase pension pots and tackle waste in the pensions system, focusing on defined contribution workplace schemes and the LGPS. The first phase of the review is looking at measures to accelerate asset pooling and increasing investment in 'productive finance' in the UK by LGPS funds. The call for evidence asks several questions on scale and consolidation, costs vs value and investing in the UK. Attached to the call for evidence was a short response deadline of 25 September 2024. The second stage of the review is expected to consider pensions adequacy and fairness, such as the pensions gender gap. As yet no detailed timetable is available for this work. A copy of the response from the Fund for phase one is available at **Appendix 1**.

2.3 Subsequent to the Fund's submission of evidence, on 10 October 2024, the Head of Pensions was present at a meeting relating to the pensions review, attended by LGPS Officers of the ACCESS pool and representatives from HM Treasury, the Government Actuaries Department and Ministry of Housing, Communities and Local Government. In addition, the Head of Pensions also joined a roundtable discussion of the PLSA LGPS Policy Committee together with Parliamentary Secretary (HM Treasury), Emma Reynolds and Minister of State (Housing, Communities and Local Government), Jim McMahon.

2.4 On 17 September 2024, the Scheme Advisory Board (SAB) published a statement on Fiduciary Duties and dealing with lobbying. The purpose of the statement is to make clear SAB's view on the flexibility decision makers have to respond to lobbying; the standards of behaviour

expected when discussing what can be emotionally charged issues, and where to go for support if those standards are not being met. The full statement is attached at **Appendix 2**.

2.5 The autumn Budget statement on 30 October 2024 did not include changes to tax relief or introduce a new limit on tax-free cash on retirement (about which there had been speculation), but it did deliver some announcements that affect the LGPS.

- Qualifying recognised overseas pension scheme (QROPS) Transfers - The Government announced a change in pension transfers to a QROPS in the European Economic Area (EEA) or Gibraltar. From 30 October 2024, these transfers are no longer excluded from the overseas transfer charge. These transfers will be covered by the same rules as transfers to other countries. If the member has sufficient overseas transfer allowance, then they may not have to pay the overseas transfer charge if one of the exclusions applies. Transitional arrangements mean that the exclusion will still apply where a member requested a transfer before 30 October 2024 and where that transfer is completed prior to 30 April 2025.
- Consultation on inheritance tax on pensions – The Government has launched a consultation on ‘Inheritance tax on pensions: liability, reporting and payment’ ([Technical consultation - Inheritance Tax on pensions: liability, reporting and payment - GOV.UK](#)). The proposed changes would mean that:
 - Death Grants from the LGPS would be subject to Inheritance Tax from April 2027
 - Personal representatives would calculate whether any Inheritance Tax was due, and pass on the relevant information to the pension scheme administrator
 - Administering authorities would be responsible for paying and reporting to HMRC any Inheritance Tax deducted from an LGPS death grant

The consultation closes on 22 January 2025, East Sussex Pension Fund are currently considering making a representation. The Local Government Association has confirmed it will make a response, which it will share with administering authorities prior to the response deadline.

2.6 The Chancellor of the Exchequer Rachel Reeves, will deliver her first Mansion House address on 14th November 2024, setting out how the UK Government will support financial services sector to grow, innovate and support finance growth around the country. It is expected that the speech will include pension reforms intended to channel money into the UK economy. A verbal update will be provided at the meeting of highlights effecting the LGPS.

3 Funding Update

3.1 The Fund Actuary has prepared the indicative quarterly funding update as at 30 June 2024, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, and is included as **Appendix 3**. The indicative funding report shows the funding position fall from 123% at the last valuation in March 2022 to 120% in June 2024. This does however represent a slight improvement from 118% in March 2024.

4 Employer Forum

4.1 The annual Employer Forum will be held virtually on 28 November 2024, 10am-3pm. Following feedback from previous forum years and conducting research with current employers and insights from Fund officers, the employer engagement team have created the following agenda for the day.

| Time | Topic | Lead |
|---------------|--|---|
| 10:00-10:15 | Welcome EE Team Updates Member Training | Employer Engagement Officer's |
| 10:15-10:45 | Update from Committee Update from Board | Chair of Pension Committee Independent Chair of Pension Board |
| 10:45-11:15 | Admissions and Cessations | Compliance & Local Improvement Partner |
| 11:15-11:40 | 2024/25 Focus PAT & Helpdesk Performance 25/26 Intentions Pension Dashboard | Head of Administration |
| 11:40– 12:10 | Communications Update - MSS Demo ESPF Website Overview – Employer Toolkit | Communication Manager |
| 12:10 -12:45 | Break | |
| 12:45 –13:30 | Triennial Valuation 2025 | Actuarial Consultant Actuary Partner Barnett Waddingham (Fund Actuary) |
| 13:30 – 14:15 | Additional Voluntary Contributions New contribution portal | Corporate Pensions Support Consultant Prudential |
| 14:15 – 15:00 | Employer Q and A | Various Fund Officers |
| 15:00 | End of Day | |

5 Conclusion

5.1 The Committee is recommended to note this report.

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