

**Report to:** Governance Committee

**Date of meeting:** 23 June 2020

**By:** Assistant Chief Executive

**Title:** Amendments to Constitution – Pension Board Terms of Reference; Pension Committee Terms of Reference; and Revised Officer Scheme of Delegations

**Purpose:** To consider proposed changes to the Council’s Constitution.

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## **RECOMMENDATIONS**

The Governance Committee is recommended to recommend the County Council to:

1) approve the:

- i) Pension Committee Terms of Reference set out in Appendix 1
- ii) Pension Board Terms of Reference set out in Appendix 2
- iii) The Changes to the Officers Scheme of Delegation set out in Appendix 3; and

2) agree to amend the Constitution accordingly

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### **1. Background**

1.1. East Sussex County Council is the administering authority for the East Sussex Pension Fund (ESPF or “the Fund”). 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 Council has also established a Pension Board, as required under the Public Services Pension Act 2013, to assist the scheme manager. Some decisions relating to the Fund are also delegated to Chief Officers and other officers of the Council under the Scheme of Delegations, including the Chief Operating Officer and Chief Finance Officer.

1.2. In November 2019, the Pension Committee approved the undertaking of a governance review of the ESPF involving the Chief Operating Officer, Chair of the Pension Committee, Independent Advisor to the Committee and Aon.

1.3. The governance review has been very comprehensive and has produced revised terms of reference of the Pension Board and Pension Committee and a revised Scheme of Delegations of Pension Fund management roles to the Chief Operating Officer, Chief Finance Officer and Assistant Chief Executive.

### **2. Supporting information**

2.1. The purpose of the governance review has been to identify areas of the governance framework of the ESPF that needed to be amended in order to align with anticipated recommendations of the Scheme Advisory Board Good Governance Project; the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Knowledge and Skills Framework and Code of Practice and other guidance; and best practice from other Local Government Pension Schemes (LGPS).

2.2. The governance review working group has so far produced several draft documents:

- I. Pension Committee Terms of Reference (**appendix 1**)
- II. Pension Board Terms of Reference (**appendix 2**)
- III. Revised Officer Scheme of Delegations to incorporate Pension Fund management (**appendix 3**)
- IV. Communication Strategy

## V. Breaches Policy and log

2.3. As documents I, ii and iii require changes to the Constitution or Officer Scheme of Delegation they require the approval of Council. All five documents were considered by the Board at its 8 June meeting, who supported the proposed amendments, and the Pension Committee will consider them at its meeting on 22 June, and its comments will be presented to the Governance Committee.

2.4. It is recommended that the proposed Pension Board and Pension Committee Terms of Reference set out in Appendices 1 and 2 will replace the existing terms of reference. Key changes of the documents include:

### **Pension Committee terms of reference**

- Clarification of the roles and responsibilities of the Pension Committee including in relation to the ACCESS pension fund pool; Making decisions relating to employers joining and leaving the Fund; agreeing the policy for exit credits and terms on which employers may leave the Fund; selection, appointment and dismissal of the Fund's advisers and suppliers; and ensuring robust risk management arrangements are in place.
- Inclusion of an expectation that Committee members will regularly attend training sessions.

### **Pension Board terms of reference**

- Greater detail on the objectives and role of the Pension Board, including assisting the Pension Committee by undertaking other tasks such as reviewing aspects of the performance of the ESPF; and reviewing administration standards or performance or review efficacy of ESPF member and employer communications.
- Confirmation that 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.
- A requirement for Pension Board members to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date.
- A procedure for the escalation of matters to the Monitoring Officer where not satisfactorily acted on or resolved by the Pension Committee

### **Officer Scheme of delegations**

- Addition of a power to take action or decide any other Pension Fund related matter on behalf of the Administering Authority in special or emergency situations, in consultation with the Chair of the Pension Committee, including but not limited to where delay in the purchase or sale of investments might be detrimental to the interests of the ESPF.

## **3. Conclusion and reason for recommendations**

3.1 The revised terms of reference for the Pension Board and Pension Committee and the revised scheme of delegations for officers align with anticipated recommendations of the Scheme Advisory Board Good Governance Project, Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, and best practice from other LGPS. Recommending to Full Council to amend the constitution to include these new documents will help to ensure more robust governance arrangements are in place for the ESPF.

3.2 The Governance Committee is recommended to approve the proposed changes to the Constitution as set out in appendices 1-3; and agree to amend the Constitution accordingly.

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