

Report to: Pension Committee

Date of meeting: 19 September 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

RECOMMENDATIONS

The Pension Committee is recommended to:

- 1) note the nomination of a member representative vice chair and an employer representative vice chair for the Pension Board;
 - 2) note the decision to dissolve the Communications working group;
 - 3) consider the continuation of the McCloud working group.
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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).

1.2 This report outlines changes to Pension Fund policy for comment and noting.

2 Consultations

2.1 In April 2023 the UK Government announced an intention to abolish the Lifetime Allowance (LTA). In July 2023 the Government commenced a consultation on this topic. The consultation will be completed in October 2023. In place of LTA there will be a new maximum tax-free lump sum amount which will match the current LTA, payments over this amount will attract a tax charge at the beneficiary's marginal rate.

2.2 In July 2023 the Department of Levelling Up, Housing and Communities issued a consultation on investment pooling. This covers the Government intention for Pension Funds to accelerate and expand the use of pooling and to transition liquid assets by 31 March 2025. The Government is seeking 5% of assets to be allocated to UK levelling up; 10% investment in high growth venture companies; the implementation of a training policy for Committee members, requirements to set objectives for Investment Consultants and a technical change to the definition of investments. In addition the consultation suggests the Government want to see a transition towards fewer pools to maximise the benefits of scale.

2.3 A response to the consultation is in draft and will be considered later in this agenda. The submission date is 2 October 2023.

3 Pension Board membership

3.1 Since the last meeting three members were appointed to the Pension Board at the Governance Committee on 18 July 2023. Cllr Gajjar and Cllr Wilson have been appointed as employer representatives and are drawn from Brighton and Hove City Council and the Borough and District Councils respectively. Zoe O'Sullivan has been appointed as a member representative.

3.2 Lynda Walker has left her position with East Sussex County Council and will no longer continue on the Pension Board. Officers have been in contact with Unison to seek nominations for a new member representative and a recommendation is being made to Governance Committee for a suggested appointment.

3.3 Under the Terms of Reference for the Pension Board there is a requirement to have a permanent Independent Chair together with a Vice Chair drawn from both the Employer and Member Representatives. The vice chair should then alternate at each Board meeting. Following the changes in membership, the previously appointed vice chairs have now stepped down from the Pension Board. Under the East Sussex County Council Constitution, appointments to the Pension Board, and the allocation of material roles within it, are reserved to the Governance Committee. Pension Board were asked to nominate to the vacancies of member representative vice chair and employer representative vice chair for approval at Governance Committee. Neil Simpson was nominated as member representative vice chair and Cllr Andrew Wilson was nominated as employer representative vice chair.

3.4 The recent changes in membership of the Pension Board has led to a review being required of the various Working Groups. The McCloud Working Group's terms of reference has now expired and a number of the representatives of this group have now left the Board. Pension Board has suggested that this group be merged with the Administration Working Group and Officers support this recommendation.

3.5 The Administration Working Group non-officer participants are Ray Martin, Neil Simpson and, from the Committee, Councillor Fox. The Board was asked to consider whether an employer representative would like to join this working Group. Zoe O'Sullivan and Tim Oliver both agreed to join this working group.

3.6 The Communications Working Group was set up by the Pension Board following a number of recommendations presented in March 2021 from the ESCC Head of Communications on their findings from a detailed communications review. The terms of reference for the group were approved in November 2021 with a recommendation to reassess in 2023 whether this group had completed its primary objectives or continue. There are currently no employer or employee representative on this working group following the changes in membership. The communications working group was commended by Board and Committee members in May and June 2023, for its work on improvements to the member experience with the introduction of a refreshed website, changes to forms, establishment of a programme of surveys, significant improvements in newsletters and the production of a member booklet which was issued in April / May 2022. It was agreed at the Board meeting on 6 September 2023 that this Group should now stand down, with the continuation of a report to the Board quarterly on communications developments.

4 McCloud

4.1 Since the last meeting of the Pension Committee, the Department for Levelling Up, Housing and Communities has issued a consultation on the proposed remedy. Officers provided a response to the Consultation, as did the Local Government Association. The LGA response can be accessed here - https://lgpslibrary.org/assets/cons/lgpsew/20230530_LR.pdf The Funds response is included as **Appendix 1**.

4.2 The application of the McCloud remedy is anticipated to commence in October 2023, in line with previous expectations. In relation to the work being done by the Fund, data was sought from Employers to allow Officers to make the necessary calculations and this was received from most employers by July 2023. A test file has been created and was due to be provided to Officers for review. One employer has provided partial data, with part time history still outstanding, and a second employer has provided some data using the American date format, in error; delaying the information being put into a usable state.

4.3 Officers have been in contact with its software provider to discuss the uploading of the data received. Discussions are taking place to ensure safe transfer of data to the provider through a secure portal. Until the upload takes place Officers will not be able to carry out testing or perform calculation.

5 ACCESS pool

5.1 The ACCESS Joint Committee met on 4 September, members can access the public agenda pack on <https://democracy.kent.gov.uk/ieListMeetings.aspx?Committeeld=898>. The East Sussex Pension Board Observers (Neil Simpson and Ray Martin) attended this meeting. Feedback from the observers at the Board meeting on 6 September 2023 was the view that the ACCESS Joint

Committee was well governed, it had structure and there was good debate on the report papers. It was noted that the arrangements by which the observers are attending is due for the one-year review and the Board members continue to believe that the arrangements could be better governed with some consistency in attendance. The Board continued to highlight concerns on the wider governance of the pool and were keen to see the results from the independent governance review and resulting actions.

6 Conclusion

6.1 The Committee is asked to note this report; note the nomination of member and employer representative vice chairs; note the dissolution of the Communications working group; and consider the continuation and membership of the McCloud working group.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Mike Burton, Pensions Manager Governance and Compliance
Email: Michael.Burton@eastsussex.gov.uk