

Report to: Pension Board

Date of meeting: 5 June 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 Board is recommended to note this report and provide comment on the draft report to Pension Committee.

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 Legal and regulatory changes

2.1 The General Code, produced by The Pensions Regulator (TPR), came into effect on 27 March 2024. This Code replaces Code of Practice 14, which previously provided details of TPR's expectations on how Public Service Pension Schemes would operate. Officers have reviewed this document and noted areas where improvements could be made. This will be discussed as part of the exempt Governance Report.

2.2 The Department for Levelling Up, Housing and Communities has conducted a closed consultation relating to Statutory Guidance designed to support the legislation regarding McCloud. The Fund was not invited to take part but has had sight of responses from the Local Government Association and Heywoods. Once the guidance is finalised it will be reviewed by Officers to determine what changes to the approach being taken are required.

2.3 The Economic Activity of Public Bodies (Overseas Matters) Bill is at the Committee Stage of the House of Lords. To date there have been no amendments to the Bill and a carry over motion has been passed, meaning if it does not become law this parliament it can be considered up to December 2024. This Bill would introduce new Investment Governance requirements, preventing the Fund from making investment decisions on grounds such as a political or moral disapproval of the acts of a foreign government.

2.4 The Fund received a letter from the Minister for Local Government dated 15 May 2024 requesting a two-page submission covering how the Fund will complete the process of asset pooling to deliver benefits of scale and how the Fund will ensure it is effectively run including governance and benefits of greater scale. A recommendation will be made to the Pension Committee for a response to be drafted in consultation with the Chair of the Pension Committee, for submission in advance of the 19 July 2024 deadline. A copy of the letter from the minister is available at **Appendix 1**.

3 Pension Board membership

3.1 Since the last meeting of the Pension Board, Tim Oliver has left his role at Brighton University and therefore is no longer able to sit on the Pension Board. Officers are currently going through the process of seeking a new employer representative.

4 Pension Fund Policies

4.1 A number of the Fund's policies are due for review and renewal. The Fund's Training Strategy is due for consideration and is attached at **Appendix 2**. The Strategy is largely unchanged, where wording has been amended the text is highlighted in yellow.

4.2 The Fund privacy notices are due for annual review. There has not been a change in the existing legislation and ad hoc engagement between Fund Officers and the Council's Information Governance Team over the past year has not identified areas where improvements are needed. No change is recommended. The notices are included as Appendix 3.

4.3 Alongside the privacy notices a Memorandum of Understanding is in place relating to the sharing of data between Scheme Employers and the Fund. This document has been amended to reflect the changes in law since the document was last reviewed, in particular the incorporation of European Law into UK Law post Brexit. The updated version is included at **Appendix 4**.

4.4 The Fund's Governance and Compliance Statement has been completed for 2023/24. This is included at **Appendix 5**.

4.5 An amendment has been made to the Fund's exit credit policy to reflect the way in which the Pension Committee consider its discretion in the retention of payment of a surplus. Where an admission was entered into pre May 2018 the wording of the policy was felt to be too definitive whereas in practice this is one of many considerations the Pension Committee take into account when making their decision. The revised policy is included at **Appendix 6**. Where wording has been amended the text is highlighted in yellow.

5 Funding Update

5.1 The Fund Actuary has prepared the indicative quarterly funding update, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, included as **Appendix 7**. The indicative funding report shows the funding position fall from 123% in March 2023 to 118% in March 2024. This has primarily been as a result of actual short term inflation experience compared to the long term average used as an assumption in the valuation and investment returns being lower than assumed through the valuation.

6 Pension Board Report to Pension Committee

6.1 The annual report of the Pension Board to Pension Committee is due at the Pension Committee meeting on 19 June 2024. Officers have liaised with the Chair of Pension Board to produce a draft report to be presented. Board members are asked to provide any comment they wish to make to the proposed report included as **Appendix 8**.

7 Conclusion

7.1 The Board is asked to note this report and provide comment on the draft report to Pension Committee.

IAN GUTSELL
Chief Finance Officer

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