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| <b>Report to:</b>       | <b>Pension Board</b>  |
| <b>Date of meeting:</b> | <b>12 February 2026</b>   |
| <b>By:</b>              | <b>Chief Finance Officer</b>  |
| <b>Title:</b>           | <b>Governance Report</b>  |
| <b>Purpose:</b>         | <b>To provide an update on governance workstreams and changes affecting Local Government Pension Schemes and the East Sussex Pension Fund</b> |

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## **RECOMMENDATIONS:**

**The Pension Board is recommended to:**

- 1) note the legal and regulatory changes set out in this report; and
- 2) note the updates in relation to the Pension Administration Strategy, Pension Board Membership and funding position.

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## **1 Background**

1.1 This report is presented 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 At the last meeting of the Board members were informed of a Government consultation launched on 13 October 2025, titled '[Local Government Pension Scheme in England and Wales: Scheme Improvements \(Access and Protections\)](#)'. The consultation related to 4 key areas Normal Minimum Pension Age, pension access for Councillors and Mayors, Academies in the LGPS and New Fair Deal. Having consulted with Chairs of both the Pension Board and Pension Committee, ESPF submitted a response to the consultation on 22 December 2025 (Appendix 1).

2.2 On 20 November 2025, the government published the [Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation](#). This consultation, which concluded on 2 January 2026, sought views on 2 draft statutory instruments:

- the 'Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026'
- the Local Government Pension Scheme (Amendment) Regulations 2026

2.3 The 'Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026' will replace the current 2016 LGPS Regulations and give legal effect to the proposals set out in the Pooling and Local Investment chapters of the 'Fit for the Future' consultation. The proposed legislation includes the following:

- a requirement for administering authorities to delegate the implementation of their investment strategy to their asset pool
- a requirement for administering authorities to take principal investment advice from their pool
- a requirement for all assets to be controlled and managed by the relevant asset pool
- provision for the Secretary of State to direct Administering Authorities (AAs) to participate in specific pools, and for specific pools to facilitate participation

- establishment of minimum standards for pools, including Financial Conduct Authority (FCA) authorisation and capacity to manage local investments
- a requirement for compliance with effect from 1 April 2026

2.4 The Local Government Pension Scheme (Amendment) Regulations 2026 will implement the proposals in the Governance chapter of the consultation. The proposed legislation includes the following:

- a requirement for AAs to prepare and publish a governance strategy, a training strategy, and a conflict-of-interest policy – either separately or together – which must be reviewed and published at least every three years. AAs will also be required to prepare an administration strategy separately.
- a requirement for AAs to appoint a senior LGPS officer by 1 October 2026. This newly established statutory position will be responsible for ensuring that the Fund is appropriately managed and resourced regarding all aspects of the Scheme, including administration, investment, and governance. The senior LGPS officer must not simultaneously hold another statutory local government role, such as section 151 officer, monitoring officer, or head of paid service.
- a requirement for administering authorities to appoint an independent person as a non-voting member of its committee by 1 October 2026. The role will involve advising on investment strategy, governance and administration.
- a requirement for administering authorities to undertake an Independent Governance Review (IGR), with the first review required to take place by 31 March 2028. The resulting report must be prepared and submitted to the Secretary of State and published by the AA.

2.5 The response was submitted on 2 January 2026 (Appendix 2).

2.6 Much of the detail contained within the Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 is covered elsewhere on the agenda. For clarity, below sets out the actions ESPF intended to take to address the detail within the Local Government Pension Scheme (Amendment) Regulations 2026:

| <b>Task</b>   | <b>Current Position and Action Required</b>   | <b>Due for Action</b>      |
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| Publication of a Governance Strategy, Training Strategy and Conflict of Interest Policy | ESPF currently have a Governance and Compliance Statement, Training Strategy and Conflict of Interest policy. These will be reviewed against the forthcoming legislation and amended to meet with the requirements if necessary | June 2026                  |
| Appointment of a Senior Officer   | No such role beyond Section 151 Officer or Head of Pensions currently exists. Requirements will be reviewed and necessary actions taken prior to 1 October 2026   | Ongoing Spring/Summer 2026 |

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| Appointment of an Independent Person to the Pension Committee | No such role currently exists. Requirements will be reviewed and necessary actions taken prior to 1 October 2026   | Ongoing Spring/Summer 2026 |
| Carry Out an Independent Governance Review (IGR)              | To some extent this function is currently undertaken by both internal and external audit. Requirements will be reviewed and actions determined to ensure review undertaken prior to March 2028 | Prior to March 2028        |

2.7 Members of the Board will recall that in the Summer of 2025 Government released a consultation titled [LGPS \(England and Wales\): Access and Fairness](#) and that at the last meeting of the Board it was indicated that the Government response to the consultation was expected by the end of the year, however, the response has been delayed. It is understood that Government plans to phase in the changes proposed in the consultation to ease the administrative impact. Phase one changes will be introduced in April 2026, and phase two later in the year.

2.8 The changes included in phase one are outlined in the table below:

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| <b>Survivor benefits and death grants</b> | Equalising survivor benefits – some calculations will be backdated to 5 December 2005  |
|   | Removing the age 75 limit for death grant eligibility – this will be backdated for deaths that took place from 1 April 2014  |
|   | Removing the requirement for a death grant to be paid to the personal representatives where it is not paid within the two-year period – this will apply to unpaid death grants at the date the regulations take effect |
|   | Removing the requirement to nominate a cohabiting partner in the 2008 Scheme   |
|   | Inserting a requirement that a child's short-term pension, paid under the 1995 and 1997 Regulations, must cease if that child is no longer an eligible child   |
| <b>Gender pensions gap benefits</b>       | Making authorised absences of less than 15 days automatically pensionable  |
|   | Aligning the cost of buying back lost pension for authorised absences of over 14 days with the standard member contribution rates  |
|   | Extending the time limit for electing to buy back lost pension from 30 days to 12 months, as long as the member is in the same employment  |

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|                                      | <p>Allowing an employer to pay their share of contributions relating to an unpaid period of more than three years</p>   |
|                                      | <p>Updating the definition of child-related leave to include all periods of additional maternity, adoption and shared parental leave without pay</p>  |
| <b>Gender pensions gap reporting</b> | <p>Making basic gender pensions gap reporting mandatory for administering authorities with effect from the 2025 valuation – with actuarial guidance being provided to confirm the methodology</p>   |
| <b>McCloud remedy</b>                | <p>Correcting regulations with backdated effect from 1 October 2023 to provide the McCloud remedy works as expected in relation to:</p> <ul style="list-style-type: none"> <li>• recalculating pension debits</li> <li>• deaths on or after 1 October 2023</li> <li>• transfers from other public service pension schemes with underpin protection for joiners after age 65</li> <li>• interest on Club top-up transfers</li> <li>• interest on direct compensation</li> </ul>  |
|                                      | <p>Final regulations to amend the rules on recalculating pension credits for McCloud so that they include cases where the credit member died, trivially commuted or transferred out before 1 October 2023</p>   |
| <b>Abolition of LTA changes</b>      | <p>Amending the definition of a Benefit Crystallisation Event</p> <p>The introduction of a long-term approach to the maximum pension commencement excess lump sum (PCELS). The new maximum will be 25% of the capital value of the benefits being crystallised, subject to the contracting-out limits. This will be implemented by:</p> <ul style="list-style-type: none"> <li>• updating the Lump Sum Commutation Government Actuary Department (GAD) guidance</li> <li>• revoking regulation 50 (limit on total amount of benefits) and equivalent provisions under earlier regulations</li> <li>• withdrawing the lifetime allowance GAD guidance</li> </ul> |
| <b>5-year refunds</b>                | <p>Removing the requirement to automatically pay refunds at the end of five years. This will also mean that, in all cases, if a member rejoined the LGPS before the refund is paid, their benefits will be aggregated. It is expected this will apply to all members who leave after 31 March 2026, and to unpaid refunds as at 1 April 2026 for members who left between 1 April 2014 and 31 March 2026</p>  |

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| <b>Small Pensions</b> | The option to take a de-minimis small pot payment will be extended to members who left the LGPS before 1 April 2008 and councillor members |
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2.9 It is expected that a statutory instrument implementing the phase one changes will be laid at the start of March and take effect from 1 April 2026.

### **3 Pension Administration Strategy**

3.1 The draft Pension Administration Strategy was sent to scheme employers and other stakeholders for consultation, which ended on 16 January 2026. The final version (Appendix 3) will be presented to the Pension Committee for approval on 26 February 2026.

3.2 ESPF received 4 responses to the consultation and, as a result of this feedback, have made the following amendments to the final version:

- The target timeframe for transfer in and out quotes, transfer in and out payments, aggregation payments and interfund quotes has been extended from 10 to 15 days on account of the additional complexities presented by McCloud.
- Some of the feedback indicated that employers may wish for correspondence to be issued to other employees in addition to the employers' designated Pension Liaison Officer, so text has been expanded to allow the inclusion of others where appropriate.
- Some minor formatting amendments have also been made.

3.3 Some other feedback received included:

- An employer expressed the view that the administrative charges that may be levied on scheme employers were excessive. It should be noted that such charges would be a last resort having, by the stage any charges would become payable, worked with an employer to address any underlying issues. The charges detailed in most cases only apply following a warning and are largely in line with many other LGPS administering authorities.
- A query around if in-house administration was the right option for the scheme and whether it should instead consider outsourcing the administration function.
- A concern was raised in relation to the absence of service level agreements detailing when members will receive requested information having been included. However, this information is provided within appendix b to the Administration Strategy at Appendix 3 and covers the overwhelming majority of scheme member interactions with the ESPF.
- An employer suggested that the Internal Dispute Resolution Procedure could be made a single stage process.

### **4 Pension Board Membership**

4.1 At its meeting on 27 January 2026, the Governance Committee of East Sussex County Council approved a 2-year extension (ending on 28 February 2028) in the term of office for Neil Simpson as a Scheme Member Representative on the Pension Board.

### **5 Funding Update**

5.1 The Fund Actuary has prepared the indicative quarterly funding update as at 31 March 2025, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, included at Appendix 4. The indicative funding report shows the funding position increase to 118.3% at 31 December 2025 to compared to 117.2% as at 31 March 2025.

## **6 Conclusion**

5.1 This report provides an update on legal and regulatory changes together with Pension Board Membership and funding updates. The report also presents the updated Pension Administration strategy following consultation ahead of its approval by the Pension Committee.

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