

Governance Policy Statement

Isle of Wight Council (“the council”), as the administering authority to the fund, has delegated its functions with regard to the fund to its Pension Fund Committee (“the committee”).

The committee oversees the proper administration and management of the fund. It is responsible for:

- appointing external fund managers and advisers
- making suitable custody arrangements for the fund's investments
- considering and approving actuarial valuations every three years and determining the level of employers' contributions
- considering changes in Local Government Pension Scheme (“LGPS”) regulations and determining actions required
- considering and approving strategic advice on investment policy
- considering and approving the external managers' asset allocation and investment strategies
- monitoring the investment performance of the managers against the scheme specific benchmarks
- the periodic review of this statement, the Statement of Investment Principles, the Funding Strategy Statement and the Communications Policy

The committee normally meets with its fund managers and investment advisor four times each year, in February, May, July and November. Each meeting considers the strategy and performance of the managers, together with any business matters that require attention. These include, at least once per annum, consideration of fund management and investment advice arrangements, and the investment strategy of the fund.

The July meeting also forms the annual meeting to which all employers and employee representatives are invited to discuss fund performance and developments in the statutory framework.

As well as these formal meetings, ad hoc sessions are arranged as required, principally in order to explore available investment strategy options in some depth.

The committee is constituted to reflect the views of the council as administering authority and the largest member employer with 82% of the contributing membership.

The committee consists of

- seven councillors with voting rights plus the Leader of the Council in an ex-officio capacity
- one representatives of the admission bodies/scheduled bodies in an observer capacity
- one representative of the trade unions in an observer capacity

APPENDIX E - Governance Compliance Statement **amend PF Committee 20/5 meeting**

As at 31 March 2016

Dated: 20 May 2016

Principle	Detailed Best Practice Principle	Statement of compliance
A. Structure		Fully compliant
	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	a) The Isle of Wight Pension Fund Committee forms part of the council's constitution, which includes the terms of reference for the committee. The Pension Board for the Local Government Pension Scheme was constituted by the council in January 2015. The terms of reference for that board were approved by full council and form part of the constitution. The precise status of the Board and its relationship to the Administering Authority is still subject to national clarification. Although the board is constituted under the Public Services Pensions Act 2013, at present it is operated, administered and supported as though it were a committee of the Council set up under Local Government Act 1972 powers, in the absence of explicit guidance to the contrary, to ensure best practice standards are applied, but this may change.
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	b) The terms of reference for the committee specify that the membership should include employer and member representatives. There is one non-voting representative from each of the two categories on the committee, nominated by employers and UNISON respectively. There are no representatives of pensioners or deferred members as such. The terms of reference for the board (in compliance with the Public Services Pensions Act 2013 and subsequent regulations) specify that employers and scheme members should be equally represented on the board.
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	c) There is no secondary committee
	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	d) Not applicable.

Principle	Detailed Best Practice Principle	Statement of compliance
B. Committee Membership and Representation	<p>a) That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis) 	<p>Fully compliant</p> <p>a) The committee membership (as stated in the council's constitution) includes 7 elected members (the council being the largest employer), 1 employee representative (UNISON) and 1 employer representative (nominated by the other participating employers). Only elected members are permitted to vote, on the grounds that the Administering Authority is responsible for and underwrites the fund at local level.</p> <p>Area for improvement <i>Terms of reference to be updated to consider the situation should participating employers be unable to agree on a nominated representative.</i></p> <p>The committee is advised by fund managers, actuaries and independent investment advisers.</p> <p>The board membership comprises two employer representatives (one being an elected member of the council, the other nominated by the other participating employers) and two scheme member representatives (one active and one retired, both nominated by UNISON).</p> <p>The board has access to expert advisers should their input be required.</p>
	<p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights</p>	<p>b) All members of both committee and board are given equal access to meetings and papers for both committee and board, which are published on the council's website.</p> <p>Members of the board are invited to attend committee meetings as observers.</p> <p>All members of both committee and board are invited to attend all training sessions, and any ad-hoc meetings convened for specific purposes (for example briefings about pooling of investments).</p>

Principle	Detailed Best Practice Principle	Statement of compliance
C. Selection and role of lay members		
	<p>a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee</p>	<p>Fully compliant</p> <p>a) The role of the committee is fully explained in the council's constitution. Training has been provided to all members on the background to the LGPS, the role of the committee, the governance structure and future changes.</p> <p>The role of the board is fully explained in the terms of reference. An initial training session was provided to members by Hymans Robertson, outlining the responsibilities of board members in providing assurance to the council over the governance and administration standards of the pension fund.</p> <p>The precise status of the Board is still under discussion at national level. In the meantime, the Board has put in place a draft programme covering work on investment and membership issues, and a collective training programme.</p>
	<p>b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda</p>	<p>b) There is a standing agenda item at the start of each committee and board meeting to record declarations of interest.</p>
D. Voting		
	<p>a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p>Fully compliant</p> <p>a) Voting rights for each type of membership are set out in the council's constitution.</p> <p>For the pension board, all members have equal voting rights. For the committee, non-elected members do not have a vote because they do not represent organisations responsible for underwriting the fund at local level.</p> <p>Area for improvement: <i>The justification for excluding non-elected members (i.e. staff and employer representatives) from voting rights (as set out above) is not explicitly stated in the committee's terms of reference.</i></p>
E. Training/Facility time/Expenses		
	<p>a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>	<p>Partially compliant</p> <p>a) These items are set out in the council's constitution</p> <p>Area for improvement: <i>policies on reimbursement of expenses need to be made more explicit in the terms of reference for both committee and board.</i></p> <p>In the case of the Board, this may change subject to clarification at national level of its precise status.</p>

Principle	Detailed Best Practice Principle	Statement of compliance
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	b) All items contained in the constitution are applicable to all members of the committee.
	c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	c) The committee training needs analysis has not been formally updated since July 2013, although the training plan is regularly reviewed and updated throughout the year. The membership of the committee has been relatively stable since July 2013, so the underlying level of understanding of members is unchanged. Briefing sessions are delivered before each committee meeting to inform discussions for items on the main agenda. Members' attendance at committee training sessions and external training is reported in the fund's Knowledge and Skills Compliance Statement, as part of the annual report. No formal training needs analysis has been undertaken for the LGPS Pension Board. The current draft training programme assumes all its members have started with a need for training in all aspects of its responsibilities.
F. Meetings (frequency/quorum)		Fully compliant
	a) That an administering authority's main committee or committees meet at least quarterly.	a) The committee meets four times a year. The terms of reference for the board specify that it will meet on a sufficiently regular basis to fulfil its statutory obligations. In practice, the board meets four times a year, within four weeks of the committee.
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	b) Not applicable
	c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	c) All employers are invited to the annual general meeting of the committee in July. Employers are also invited to meetings to consider the triennial valuation results
G. Access		Fully compliant
	a) That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	a) All agendas, papers and minutes are available to members and the public via the council's website. All papers are published in advance of the meetings, in accordance with the council's democratic service standards.

Principle	Detailed Best Practice Principle	Statement of compliance
H. Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully compliant a) The committee now receives regular reports on membership (including employers), administration standards, and funding levels as well as continuing to receive reports and presentations from fund managers. Reporting will continue to develop as regulations and guidance on the new governance arrangements are produced. In November 2015, the remit of the committee was expanded to include oversight of the Firefighters Pension Schemes – this area has yet to be fully developed. The pension board receives reports on decisions made by the committee, to ensure that they have been made in line with internal policies and procedures and best practice, and are consistent with legislation and regulation. The board’s work plan includes a review of the current governance arrangements of the fund, including policies and procedures, to ensure that they are sufficient and fit for purpose. This area will continue to be developed over the next year.
I. Publicity	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Partially compliant a) All statutory statements and policies form part of the fund’s annual report, which is published on the council’s website. All strategies and policies are now available on the Pensions section of the council’s website. There is no cross-reference between the council’s pensions’ webpage and the committee webpage. This inhibits information about the governance of the fund being readily available to scheme members.

ARTICLE 11 - ISLE OF WIGHT PENSION FUND COMMITTEE

Membership

7 elected members

1 non-voting employee representative nominated by Unison

1 non-voting representative nominated by admitted bodies (external companies who have staff who are members of the pension scheme as a result of staff transfers to them)

Panel to be quorate when 3 elected members are in attendance

In Attendance

Chief executive (or his nominated representative)

Leader of the council can attend as necessary

2 representatives as required from pension fund investment managers

1 representative from investment advisors

1 administrative support

1 representative from actuaries will be invited to attend as required eg to consider annual report and after triennial fund valuations

Terms of Reference

- Annually, to elect a chairman (when Full Council has decided not to so appoint)
- To hold an annual meeting of employer representatives
- To periodically review the funding strategy statement and statement of investment principles of the fund
- To determine strategic investment policy
- To appoint, and regularly monitor performance of fund managers, investment advisors and actuaries
- To periodically review the structure of investment management for the fund and implement new arrangements as appropriate
- To periodically review and set limits for the overall asset allocation of the fund
- To periodically review issues which have an impact on the fund's long term solvency including those issues over which the administering body has discretion
- To tender and/or re-tender contracts for the provision of all actuarial and investment management services required by the fund in accordance with the council's standing order.
- To undertake member training on investment issues
- To consider applications for admitted body status

- To exercise all discretionary functions of a pension scheme manager including those relating to the fire pension scheme.

Annual Report

The panel will produce an annual report on the performance of the investment fund and this will be circulated to all members and will be formally reported to the audit committee.

ARTICLE 12 - ISLE OF WIGHT PENSION BOARD COMMITTEE

Terms of Reference and Delegated Authorities

1) Introduction

The purpose of this document is to set out the terms of reference for the local Pension Board of the Isle of Wight Council Pension Fund.

2) Role of the Local Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Assist Isle of Wight Council Administering Authority as Scheme Manager; –
 - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - in such other matters as the LGPS regulations may specify
- Secure the effective and efficient governance and administration of the LGPS for the Isle of Wight Council Pension Fund.
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the Isle of Wight Council Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

3) Appointment of members of the Pension Board

The process for selecting members of the Pension Board is set out below.

The Pension Board shall consist of 5 members and be constituted as follows:

- i) 2 employer representatives;
- ii) 2 scheme member representatives;

- iii) 1 independent member appointed by the Council's Audit Committee and who is not a member of the Pension Committee. Such a person can be either an elected member or a non-voting co-opted member.

One of the employer representatives shall be an officer of the Isle of Wight Council. The other will be selected by the other employers of the fund, following nominations.

The scheme member representatives shall be appointed by UNISON, who will be responsible for arranging their own election of suitable candidates and advise the Isle of Wight Council of this so that it can be assured that it is open and transparent.

For the purposes of the Pension Board, the independent member will be classed as voting.

Pension Board representatives must not also participate in or act as members of the Isle of Wight Council Pension Fund Committee.

The Chair of the local Pension Board will be determined by the Board on an annual basis.

It will be the role of the Chair to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

Each employer representative and scheme member representative so appointed shall serve for a fixed 2 year period which can be extended for further period(s) subject to re-nomination.

Each Board member is expected to attend all Board meetings during the year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub committees, particularly where this would add skills and experience.

Notwithstanding the appointment of co-opted members, the majority of the Board shall be comprised of employer and scheme member representatives, represented in equal number.

There will be no provision to allow for substitute members to be appointed.

4) Quorum

The Board shall have a formal quorum of 3. This should include at least one employer representative and one scheme member representative.

Advisers and co-opted persons do not count towards the quorum.

5) Conflicts of Interest

The policy for identifying conflicts of interest will be based upon the Council's Code of Conduct and relevant guidance issued by the Pensions Regulator.

No one may be appointed to the Board who has a conflict of interest. It is the responsibility of the board member to provide any information required by the Scheme Manager in order to determine whether a conflict exists.

6) Board Review Process

The Board will undertake each year a formal review process to assess how well it and its sub-committees, if any, and the members are performing with a view to seeking continuous improvement in the Board's performance.

7) Advisers to the Board

The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties. Any cost associated with the use of advisers to the Board must first be agreed with the Administering Authority.

The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

8) Knowledge and Skills

A member of the Pension Board must be conversant with -

- The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- Any document recording policy about the administration of the LGPS which is for the time being adopted by the Isle of Wight Council Pension Fund.

A member of the Pension Board must have knowledge and understanding of –

- The law relating to pensions
- The Pension Regulator's code of practice, and
- Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

Pension Board members will comply with the Scheme Manager's training policy.

Members of the Pension Board will be expected to attend training sessions held before each Pension Fund Committee meeting, to support the development of their knowledge and skills, as well as any other training sessions held specifically for Board members.

9) Board Meetings – Notice and Minutes

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board or Board committee, they shall be circulated to all members and posted on the Isle of Wight Council website.

There will be at least 1 Pension Board meeting a year, to be held between the May and July meetings of the Isle of Wight Pension Fund Committee. Other meetings may be convened with due notice as the Board determines.

10) Remit of the Board

The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails.

11) Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members together with the code of conduct as contained within the constitution of the Isle of Wight Council.

12) Decision making

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. If there are

equal numbers of votes for and against the Chair of the Pension Board will have a second or casting vote which will be reported to the Scheme Manager.

13) Publication of Pension Board information

Scheme members and other interested parties will want to know that the Isle of Wight Council Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the section relating to the Isle of Wight Council Pension Fund on the Isle of Wight Council's website showing:

- The names and information of the Pension Board members
- How the scheme members are represented on the Pension Board
- The responsibilities of the Pension Board as a whole
- The full terms of reference and policies of the Pension Board and how they operate
- The Pension Board appointment process
- Who each individual Pension Board member represents
- Any specific roles and responsibilities of individual Pension Board members.

Pension Board papers, agendas and minutes of meetings will be published on the Isle of Wight Council Pension Fund website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

14) Accountability

The Pension Board will be collectively and individually accountable to the Scheme Manager.

15) Expense Reimbursement

Only expenses incurred by a Board member in attending an activity approved by the Board will be paid by the Council.

16) Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy document.

17) Definitions

The undernoted terms shall have the following meaning when used in this document:

<i>“Chair”</i>	Reference to duties to be performed, or authorities exercised, by the Chair
<i>“Elected member”</i>	A councillor of the Isle of Wight Council, elected by due democratic process.
<i>“Employer”</i>	Organisations external to the Council whose employees are eligible to be members of the Isle of Wight Council Pension Fund, either under Schedule 2, part 1 of Local Government Pension Scheme (Administration) Regulations 2008, or by virtue of an admission agreement with the administering authority.
<i>“LGPS”</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>“Pension Board” or “Board”</i>	Means the local Pension Board for the Isle of Wight Council administering authority for the Isle of Wight Council Pension Fund as required under the Public Service Pensions Act 2013
<i>“Scheme”</i>	Means the Local Government Pension Scheme as defined under “LGPS”
<i>“Scheme Manager”</i>	Means Isle of Wight Council as administering authority of the Isle of Wight Council Pension Fund.
<i>“Scheme member”</i>	A person who has been admitted to membership of a pension scheme and is entitled to benefit under the scheme. Such a person may be “Active” (paying contributions), “Deferred” (no longer paying contributions, but entitled to future benefit), or “Retired” (in receipt of benefit)

18) Interpretation

Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.