

APPENDIX 1

Isle of Wight Council Pension Fund Governance Review Report Progress against recommendations at 25 September 2018

Background

In February 2018, the Isle of Wight Pension Committee commissioned a full review of its governance structures with the fund's governance and benefits advisers, Hymans Robertson.

<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/9-2-18/PAPER%20C.pdf>

The review was intended to:

- provide the fund with an assessment of where it stands in relation to its legal requirements and the Pensions Regulator's expectations as well as providing a plan of how the fund can address any gaps that may exist; and
- ensure that the objectives, policies and decision making within the fund are clearly aligned with the fundamental aim of delivering an excellent service to scheme members.












The review included a desk-top review of the fund's key documents, a self-assessment questionnaire for committee and pension board members and key officers, observation of committee and board meetings, and interviews with the committee and board chairs and key officers.

The results of the review were presented to the pension fund committee in a development session on 18 May 2018.

Recommendations

There were 11 recommendations arising from the review, each of which were discussed at the development session, and agreed by committee and board members, as well as officers.

In summary:

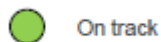
RECOMMENDATION 1: Clarity of objectives	 On track
RECOMMENDATION 2: Business planning	 On track
RECOMMENDATION 3: Delivery - governance	 On track
RECOMMENDATION 4: Delivery – administration	 Minor lag
RECOMMENDATION 5: Risk management	 Minor lag
RECOMMENDATION 6: Decision making – structure	 Achieved
RECOMMENDATION 7: Decision making – administration	 On track
RECOMMENDATION 8: Decision making – communication	 On track
RECOMMENDATION 9: Decision making – training	 On track
RECOMMENDATION 10: Pooling – governance	 On track
RECOMMENDATION 11: Pooling – reporting	 Significant lag

Detailed progress against each of the recommendations, and key next steps are set out below.

RECOMMENDATION 1: Clarity of objectives

Consideration should be given to agree a set of objectives for the Fund, which are in line with legislative requirements and any related professional guidance. These objectives will then drive future business of both the Pension Committee and Pension Board.

Status:



Action to date

First workshop on funding and investment objectives was held following the pension fund committee meeting on 14 September 2018, attended by six committee members, three board members and two officers.

The workshop was facilitated by Hymans Robertson (investment consultants, actuarial advisers and governance consultants)

Feedback has been provided to Hymans, who are drafting a framework from which to commence the review of the fund's investment strategy.

Future action

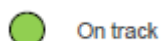
Second workshop, on governance and administration objectives, to be held following pension fund committee meeting on 23 November – again facilitated by Hymans Robertson (governance and benefits consultants).

Output from first workshop, including work programme for review of fund's investment strategy and valuation, to be presented to January 2019 pension fund committee.

RECOMMENDATION 2: Business planning

A formal business plan should be developed for the fund in accordance with CIPFA requirements. Once the content is agreed this plan should form part of regular updates to both the Pension Committee and Pension Board, giving opportunities for the plan to develop and evolve as circumstances dictate. This review of the business plan should be supported by relevant performance management information.

Status:



Action to date

Workplan for the committee and board for the period to 31 March 2020 has been developed and is presented at each board and committee meeting.

<https://www.iow.gov.uk/Meetings/committees/Pension%20Board/12-6-18/PAPER%20E%20-%20Work%20Plan.pdf>

Information has been submitted to CIPFA in respect of pension administration benchmarking – information due back in late 2018.

A draft budget for 2018-19 has been prepared and will be presented to the pension board at its meeting on 23 October, and to the pension fund committee at November meeting.

Future action

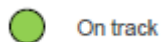
Presentation of 2018-19 budget, and development of 2019-20 budget for approval by committee. Further development of financial performance monitoring against budget.

Development of "committee life-cycle" plan to cover four-year period between local elections, to inform future induction of potentially new committee members.

RECOMMENDATION 3: Delivery - governance

Consideration should be given to the provision of additional support to the role of Technical Finance Manager, freeing up her time to focus on key strategic priorities within the Fund's business plan while at the same time spreading the load across a larger pool of staff.

Status:



Action to date

As part of overall finance team restructure, approval has been given to recruit a senior accounting technician post within the technical finance team. Job summary and draft advert have been prepared, with expectation that advert will be published in late September 2018

Future action

Recruitment activity to be undertaken, with a view to appointment early in 2019 calendar year.

RECOMMENDATION 4: Delivery – administration

The Council review the current structure around the pensions administration team and the Technical Finance Manager, to ensure that appropriate reporting lines are in place and that senior managers are adequately aware of their own responsibilities in relation to the management and administration of the fund.

Status:



Work has not yet started on this recommendation, as other work has taken priority. It is anticipated that work will commence on this action within the next quarter.

Action to date

Continued close working between technical finance team and pension administration team. Information has been submitted to CIPFA in respect of pension administration benchmarking – information due back in late 2018. This will help to understand efficiency of the current service in relation to other pension funds who participate in the review.

Future action

Consideration to be given to development of service level agreement with pension administration team, and further development of key performance indicator reporting to pension board.

RECOMMENDATION 5: Risk management

The fund should create a risk management policy, setting out:

- its risk philosophy for the management of the fund;
- its appetite for risk;
- how risk management is implemented;
- roles and responsibilities for the management of risk;
- key controls to be operated by those with responsibility for managing the fund.

Following on from the creation of its risk policy the current issues log should be developed into a full risk register.

This revised risk register, or alternatively a highlight version, should then become a standing item at future Committee and Board meetings.

Status:



Work has not yet started on this recommendation, as it will follow on from workshop activities in response to recommendation 1, and the review of the fun's funding and investment strategies.

Action to date

Pension board and committee meetings continue to monitor the pensions issues logs

<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/13-7-18/Paper%20G%20-%20LGPS%20Issues%20Log.pdf>

Elements of risk covered in investment and funding objectives workshop

Future action

Development of risk management policy, adapting resources already available from Isle of Wight Council.

Ongoing monitoring and review of issues logs.

RECOMMENDATION 6: Decision making – structure

Consideration should be given to putting in place an investment sub-Committee, to support the work of the Pension Committee and to ensure the Administering Authority is more able to exploit the wider opportunities and strategies the Fund will be exposed to as part of the ACCESS pool.

Status:



Action to date

At July 2018 pension fund committee meeting, approval was given to doubling the number of full investment committee meetings to be held over the next 12-18 months, rather than constituting an investment sub-committee

<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/13-7-18/minutes.pdf>

(Minute 5)

First investment focussed committee held on 14 September 2018

<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/14-9-18/agenda.pdf?636734866703180860>

Future meetings agreed for 11 January 2019 and 5 April 2019 for investment focus, with existing meetings (23 November 2018 and 8 February 2019) focussing on governance and administration.

Future action

Ensure 2019-20 corporate calendar incorporates additional investment focused meetings.

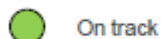
Monitor effectiveness of committee meetings in this format.

RECOMMENDATION 7: Decision making – administration

Ensure that the Fund puts in place and publishes an Administration Strategy, in accordance with the requirements of the LGPS Regulations, to include all of the matters set out in regulation 59(2) of those Regulations.

A strategy should also be agreed to launch the Administration Strategy and to ensure Administering Authority and employer compliance with the requirements of the Strategy.

Status:



Action to date

Example administration strategy obtained from Hampshire Pension Fund, which has been adapted for Isle of Wight.

Draft has been reviewed by technical finance and pension administration teams, and comments have been incorporated from a review by Hymans Robertson governance consultants.

Future action

Issue draft administration strategy for consultation with fund employers, including schools, committee and board members – 30 September 2018

Comments from consultation to be incorporated into presentation of draft strategy to pension board meeting on 23 October 2018, for onward recommendation to committee

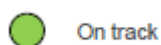
Administration Strategy to be adopted by pension fund committee at meeting on 23 November 2018.

Formal launch.

RECOMMENDATION 8: Decision making – communication

The Fund's Communication Policy should be reviewed, to ensure that it more accurately meets the requirements of the LGPS Regulations and articulates the manner in which the Administering Authority will communicate with members, prospective members, their representatives and scheme employers.

Status:



Action to date

Draft communication strategy has been provided by Hymans Robertson, to be reviewed.

Website has been developed by Hymans Robertson, all content has been approved – launch plan to be determined

Future action

Discussion with communications team about launch of website to be held w/c 24 September

Issue draft communication strategy for consultation with internal communications and media team, pension administration team, pension committee and board members – 30 September 2018

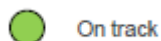
Comments from consultation to be incorporated into presentation of draft strategy to pension board meeting on 23 October 2018, for onward recommendation to committee

Communications Strategy to be adopted by pension fund committee at meeting on 23 November 2018.

Formal launch and development of communication plan.

RECOMMENDATION 9: Decision making – training

Consideration should be given to putting in place a formal Training Policy, setting out the Administering Authorities approach to training for members of the Pension Committee, Pension Board and Officers involved in the management and administration of the Fund.

Status:**Action to date**

Committee and board members completed knowledge and skills self-assessment questionnaire in November 2017.

Pension board has developed a training recording system, which is being completed by individual members, and reported back to each board meeting.

Draft report on training planned within existing committee and board work schedules has been prepared and discussed with the Pensions Regulator and has been shared with chair of pension board.

Future action

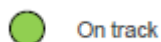
The Pensions Regulator will be delivering a briefing session to pension board and committee members on 7 November 2018 on their expectations of knowledge and understanding requirements for board members.

Future board and committee papers to include expectations of prior understanding for agenda items to be discussed.

Development of formal training policy, in conjunction with internal learning and development colleagues.

RECOMMENDATION 10: Pooling – governance

Review the terms of reference and scheme of delegation for the Fund's pension Committee and Pension Board to ensure they are appropriate post pooling. If an investment sub-committee is being set up, consider its terms of reference in the context of pooling.

Status:**Action to date**

Chair and vice-chair of pension committee continue to be actively engaged with ACCESS joint committee meetings.

Reporting to each committee and board meeting on progress with ACCESS

<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/14-9-18/PAPER%20E%20-%20Covering%20Report%20-%20ACCESS.pdf>

Future action

ACCESS have developed a decision matrix setting out responsibilities for decisions to be taken at pool level and at individual authority level. Once finalised, filter to determine local responsibilities, and confirm suitability of current terms of reference.

Terms of reference for pension fund committee and board to be formally reviewed in February 2019.

RECOMMENDATION 11: Pooling – reporting

Ensure the fund receives regular reporting from ACCESS on both manager selection and performance, holding ACCESS to account and ensuring that the best interests of the Isle of Wight Pension Fund’s interests are satisfactorily met.

Status:

 Significant lag

This work will primarily be driven by the ACCESS pool itself. As the first sub-fund has only recently been approved by the FCA (August 2018), and is not available for investment until November 2018, the reporting of investment performance from the pool has not yet been finalised.

Action to date

Officers continue to be actively engaged with working groups to develop reporting processes. However, delays in FCA approval of the Authorised Contractual Scheme and the first sub-fund have meant that no funds will be transferred into the pool until November 2018.

Future action

Continued involvement in working groups.