

# APPENDIX 1

## Isle of Wight Council Pension Fund Governance Review Report Progress against recommendations at 19 March 2019

### 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. This report sets out progress made on each of the 11 actions since the last update provided dated 28 January 2019.

In summary:

		<b>Current status</b>	<b>Previous status</b>
RECOMMENDATION 1: Clarity of objectives	↑	Achieved	On track
RECOMMENDATION 2: Business planning	↔	Minor lag	Minor lag
RECOMMENDATION 3: Delivery – governance	↑	On track	Minor lag
RECOMMENDATION 4: Delivery – administration	↔	Minor lag	Minor lag
RECOMMENDATION 5: Risk management	↔	Minor lag	Minor lag
RECOMMENDATION 6: Decision making – structure	↔	Achieved	Achieved
RECOMMENDATION 7: Decision making – administration	↔	Achieved	Achieved
RECOMMENDATION 8: Decision making – communication	↑	Achieved	On track
RECOMMENDATION 9: Decision making – training	↔	On track	On track
RECOMMENDATION 10: Pooling – governance	↔	On track	On track
RECOMMENDATION 11: Pooling – reporting	↑	On track	Minor 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:**     **ACHEIVED**

**Direction of travel:**     ↑

#### **Action since last update**

Output from first workshop held in September 2018, including work programme for full review of fund's investment strategy and valuation, presented to 29 January 2019 pension fund committee.

Proposed amendments to the investment strategy statement in respect of updated objectives presented to and approved at 29 January 2019 committee meeting. Publication on website in progress.

Output from second workshop held in November 2018 presented at 8 February 2019 pension fund committee.

#### **Future action**

Work plans for both committee and board to be refined, and each item cross-referenced to outcome against agreed objectives.

### **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:**     **AMBER minor lag**

**Direction of travel:**     ↔

#### **Action since last update**

2019-20 budget development still in progress.

Committee meeting dates approved, existing work programme being refined.

#### **Future action**

2019-20 budget development still in progress.

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:** GREEN on track                      **Direction of travel:** of ↑

#### **Action since last update**

Post reviewed, to be developed as "career grade" role, to broaden recruitment pool. Three separate job summaries (one for each grade) have been prepared and are with HR colleagues for review, prior to publication of advert.

#### **Future action**

Advertise post early April 2019.

### **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:** AMBER minor lag                      **Direction of travel:** of ↔

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 since last update**

Continued close working between technical finance team and pension administration team.

#### **Future action**

Review of output from governance and administration objectives workshop to determine committee and board members' expectations of service standards. 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:** AMBER minor lag                      **Direction of travel:** ↔

Detailed 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 fund's funding and investment strategies.

**Action since last update**

Investment Strategy Statement revised to include agreed objectives and beliefs, and risk management section expanded accordingly.

**Future action**

Further review of investment and funding risks as part of valuation planning.  
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:** ACHIEVED                                      **Direction of travel:** ↔

**Future action**

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:** ACHIEVED                                      **Direction of travel:** ↔

**Future action**

Monitoring of compliance

**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:** ACHIEVED                                      **Direction of travel:** ↑

**Action since last update**

Communications strategy adopted by pension fund committee at meeting on 8 February 2019 and published on fund's website.

**Future action**

Communications strategy to be formally launched to stakeholders.  
Discussions to develop communications plan to be held.

**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: GREEN on track**

**Direction of travel: ↔**

**Action since last update**

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**Future action**

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: GREEN on track**

**Direction of travel: ↑**

**Action since last update**

ACCESS section 151 officers met on 25 January 2019 and agreed that a more fundamental review of the Inter Authority Agreement and governance manual was required. Work with individual funds' monitoring officers has been put on hold, as have plans for training in March 2019.

Review of Inter Authority Agreement scheduled to be completed by end May 2019, with a view to recommendation from Joint Committee for adoption in June 2019.

**Future action**

Governance training for all involved with ACCESS (joint committee, s151 officers, officer working group and ACCESS support unit) has been deferred.  
Terms of reference for pension fund committee and board to be formally reviewed, subject to potential changes from ACCESS governance documentation.

**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: GREEN on track**

**Direction of travel:** ↑

This work will primarily be driven by the ACCESS pool itself.

**Action since last update**

Reporting from ACCESS pool operator being reviewed in detail by ACCESS Officers, with continued changes being made to adapt to funds' requirements.

Development of reporting for annual accounts and annual report – consistent message being prepared for all funds to include in their statements.

**Future action**

Understanding of reporting pack.

Continued involvement in working groups.

First sub-fund involvement for Isle of Wight Pension Fund likely to be in May 2019, so revised processes to be developed before then.