

Annual Report of Isle of Wight LGPS Pension Board for 2018/2019

1 Constitution, Representation and Attendance

- 1.1 The Isle of Wight Council LGPS Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. As such, the Board should not be a Committee of the Council.
- 1.1.1 When the board was formed in 2015, its Terms of Reference were incorporated into the Isle of Wight Council Constitution (Article 11), as a committee.
- 1.1.2 The Board is of the opinion that the governance should be separated from the Isle of Wight Council Constitution and are currently in discussion with the Authority to resolve this issue.
- 1.2 It held its first meeting on 14 August 2015. It consists of 2 representatives of the Scheme employers, and 2 representatives of the Scheme members, all of whom are voting members.
- 1.3 The Board was scheduled to meet on 4 occasions during the year, but actually met on 3 occasions on the following dates in 2018/19: 24 April 2018, 12 June 2018 and 23 October 2018; the meeting scheduled for 7 March 2019 was cancelled due to inability to achieve quorum. Attendance at each meeting is detailed in the table below:

Member	Representation category	Membership dates	24-Apr-18	12-Jun-18	23-Oct-18
Tracy Bull	Employer	Chair from Jun-18	Ap.	√	√
Cllr Reg Barry	Employer		√	√	√
Barbara Milton	Scheme Member		√	√	√
Paul Wilkinson	Scheme Member	Chair until resig: May-18.	√	n/a	n/a
Jackie Johnson	Scheme Member	Appt: May-18 Resig: Oct-18	n/a	√	n/a
Trevor Ould	Scheme Member	Appt: Feb-19	n/a	n/a	n/a

This represents an overall attendance record of 91%. (NB if the membership dates column is blank, that board member was in the role for the whole of 2018/2019)

- 1.4 Board meetings are open to the public, other than when considering exempt items.
- 1.5 Agendas and minutes can be found at the following web link: <https://www.iow.gov.uk/Meetings/current/committeeDetail.aspx?cmteld=187>
- 1.6 To facilitate the operation of the Board, the all board members are invited as observers to meetings of the Isle of Wight Council Pension Fund Committee (“the Committee”).

2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:
 - ensure effective and efficient governance and administration of the LGPS;
 - ensure compliance with relevant laws and regulations.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend.
- 2.3 It sets its own agenda, and can be selective and probe particular topics in more depth than the Committee with its wider range of statutory responsibilities.
- 2.4 As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.
- 2.5 It can commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.
- 2.6 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.
- 2.7 The Board is supported by the Technical Finance Manager and a Democratic Services Officer and operates under Terms of Reference which were initially agreed by Isle of Wight Council in January 2015.
- 2.8 They were reviewed at the October 2017 Board meeting, at which recommendations were made to ensure that terms of reference remained fit for purpose and complied with the legislative and regulatory requirements, and fully complied with the Pensions Regulator's Code of Practice 14.
- 2.9 The current Terms of Reference are published as Article 11 to the council's Constitution.
- 2.10 In 2018/2019 the direct costs of operating the Board, covering travel and training expenses relating to Board members amounted to £300.
- 2.11 These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council.
- 2.12 The budget for 2019/20 is set at £2,000, and actual spend will be monitored against this.
- 2.13 Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 Overview

3.1.1 This is the first Annual Report produced by the Board.

3.1.2 Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of Boards by both TPR and the Scheme Advisory Board (SAB).

3.1.3 In 2018/19, the work of the Board included:

- Completion of the governance compliance statement for 2017-18
- Introduction of an Administration Strategy
- Review of the Communication Strategy
- Overseeing and monitoring the Data Improvement Project
- Introduction of KPI's for review at each Board Meeting
- Monitoring completion of the governance review action plan

3.1.4 The main elements of the work programme of the Board are governance and oversight of the pension administration function, which is run by an in-house team.

3.1.5 The Board had been following the Governance Action Plan agreed in February 2018, with its recommendations and objectives. Its successes include reviewing and making recommendations to the Committee on both the re-launched Communications Strategy and on the new Administration Strategy. These achievements help ensure compliance with the TPR's Code of Practice 14.

3.1.6 Section 4 sets out further examples of how the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their efficient, accurate and timely supply of information and data is critical to the Fund avoiding poor key performance indicators, but more fundamentally, avoiding breaches of the law, inaccurate data, inaccurate contribution rates and inappropriate investment decisions.

3.2 Risk management

3.2.1 While considerations of risk are included in all items considered by the board, there has been no formal risk register in place for the pension fund during 2018-19; this has been noted as a key area for development in 2019-20. A risk management workshop is planned for September 2019 which will include a risk register and development of processes for assessing each risk and identifying mitigating actions to reduce the impact on the fund.

3.2.2 The governance action plan addressed the key issues of capacity for both committee and officers in delivering the fund's work plan. This resulted in an increase in the number of committee meetings held, and the recruitment of an additional member of staff within the council's technical finance team.

3.2.3 It is intended that the review of the Risk Register becomes a standing item at Board meetings, including consideration of cyber security and data protection issues.

3.3 The Pensions Regulator (TPR)

- 3.3.1 The Pensions Regulator examines the Scheme on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS's).
- 3.3.2 The Board was pleased to note that Isle of Wight Pension Fund (the Fund) produced its ABS's by the due date in 2018, but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.
- 3.3.3 A key achievement of the Board has been to commence, with the Technical Finance Manager, a continuous review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14.
- 3.3.4 The assessment identifies areas in which the Fund needs to make improvements.
- 3.3.5 The Board monitors TPR's annual review of its priorities, and reflects these in agenda setting.
- 3.3.6 Isle of Wight was not in the LGPS cohort of 10 Funds visited by TPR, the learning outcomes of which are awaited.
- 3.3.7 However, during the year, the Fund had engagement with TPR in respect of board members' knowledge and understanding as well as data quality issues. As a result of his engagement, the fund's data improvement plan was created and implemented, monitored at each board meeting. In addition, the work programmes for both board and committee were amended to include additional workshops to continue to development board and committee members' knowledge and understanding.
- 3.3.8 A significant addition was made in 2018/19 to the contents of TPR's Scheme Annual Return, which is an obligatory document to be returned within a set deadline, with which the Fund complied.
- 3.3.9 The return shows percentages for completeness and accuracy of "common data" and "scheme specific data".
- 3.3.10 Using this 2018/19 data as a baseline, TPR will be measuring and seeking annual improvements in data quality.
- 3.3.11 Data quality for the fund was known to be an issue, particularly data from between the 2013 valuation and 2017, hence a Data Improvement Plan was introduced, which the Board will continue to monitor as a key part of its Work Programme.

3.4 Reporting and Recording Breaches

- 3.4.1 The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. Following the improved procedures implemented in the previous year, the Board reviews any breaches of the law as a standing item on its agenda.

3.4.2 During 2018/19, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority.

3.5 Scheme Advisory Board (SAB)

3.5.1 The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings.

3.5.2 The SAB commissions periodic surveys of local pension boards, with the second such survey scheduled for 2019/20.

3.6 Review of Investment Issues

3.6.1 Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

3.6.2 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement.

3.6.3 The Board continued to receive updates on progress by the ACCESS Pool on pooling of assets.

3.6.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

3.7 Scheme documents

3.7.1 The Board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update.

3.7.2 The Board pays particular regard to those standard documents which are sent to scheme members and has made recommendations regarding their content.

4 Ensuring Compliance with Regulatory Deadlines.

4.1 An increasing component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations.

4.2 In all cases progress reports are received, with the Board considering whether any recommendations are appropriate to help meet the deadlines.

4.3 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements and the submission of the Scheme Annual Return to the TPR. The Fund complied with these deadlines.

4.4 Other specific deadlines included compliance with the General Data Protection Regulations (GDPR: 25 May 2018) and the Guaranteed Minimum Pension (GMP) reconciliation exercise. At the same time, it is appropriate to continue to review on-going compliance of recently implemented legislation, such as GDPR and MiFID II (into effect 3 January 2018).

Training

- 4.5 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge.
- 4.6 The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored.
- 4.7 This allows use of both the CIPFA Framework and TPR Toolkit.
- 4.8 In addition, Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference.
- 4.9 Board members are encouraged to attend LGPS-focussed seminars/conferences each year. Training is often targeted to specific events, e.g. the Triennial Valuation 2019, and the General Data Protection Regulations.
- 4.10 Board Members also attend in-house training, provided by the Isle of Wight Council to both Board and Committee members, as well as viewing relevant webinars.

5 Workplan

- 5.1 A work plan has been implemented for both Board and Committee members. Specifically, it incorporates the following areas of activity for 2019/20 for Board Members:
 - Pension Fund Annual Report and Accounts
 - Administration, including automatic re-enrolment compliance, Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
 - Audit and risk management, including the Risk Register
 - Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
 - Investments, including developments with the ACCESS Pool: implications for Administering Authorities
 - The triennial valuation of the fund, including data submission, assumptions, results and updated strategy documents
 - Training
 - Member communications
 - Participating in and learning from relevant surveys, e.g. of SAB and TPR.
- 5.2 There is flexibility to allow for any additional reviews and developments.

6 Public accountability

- 6.1 As well as being open to the public, the agendas, minutes and the Board's Terms of Reference are available on the pension fund's website at the following address: <https://www.isleofwightpensionfund.org/isle-of-wight-pension-fund/about-us/local-pension-board>

7 Thanks

- 7.1 The Chair of Isle of Wight Council's LGPS Local Pension Board wishes to thank her fellow Board members who have volunteered their time and energies in their roles.

- 7.2 Thanks are also expressed to the Technical Finance Manager and associated colleagues, and the Chair of the Pension Fund Committee, as well as the admin support officers.
- 7.3 The Board has made good progress in 2018/19 and is determined to continue this into 2019/20.

Tracy Bull
Chair
Isle of Wight Council LGPS Local Pension Board
November 2019