


# 1. Executive summary

## APPENDIX B

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
 <b>Medium risk</b> (7 Points)	<i>N/A – This area has not previously been reviewed.</i>						
		Control design	0	0	2	0	0
		Operating effectiveness	0	0	0	1	2
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>2</b>

### Summary of findings:

The Council is a pension scheme administering authority, and, as such, has varying oversight responsibilities over a number of different pension schemes. The Council acts as administering authority and scheme manager for the Isle of Wight Council Pension Fund, part of the Local Government Pension Scheme (LGPS). As at the 31<sup>st</sup> March 2015, there was a scheme deficit of £202,617,000, with Council employees totalling 88.9% of the scheme's total membership and 79.4% of active membership.

The Council also acts as scheme manager for the unfunded Fire Fighters Pension Schemes, which recognised the council's share of the national scheme deficit of £79,200,000 as at the 31<sup>st</sup> March 2015.

The Council also has employees who are members of the unfunded NHS Pension Scheme and the Teacher's Pension Scheme, with responsibilities limited to collecting and paying contributions over to the applicable scheme. As the Council's responsibilities are limited for the NHS and Teachers Pension Schemes, governance arrangements are not specifically required for these schemes and hence we have not considered these further as part of this review.

In accordance with the Terms of Reference (**Appendix B**), we have undertaken a review of controls relating to Pensions Governance at the Council. Our key findings have been set out below.

#### Governance structure

There is a robust governance structure covering both of the Council managed pension schemes. A key part of these arrangements is the Pension Fund Committee, which is currently comprised of seven elected members and two non-voting representative members. In respect of the LGPS, this committee is responsible for determining the strategic investment policy, as well performing various other duties such as monitoring the performance of fund managers, investment advisors and actuaries. From November 2015 onwards, the remit of this committee was extended to also consider the Fire Fighters Pension Scheme.

In addition, the Public Services Pensions Act 2013 placed a responsibility on the Council, as an administering authority, to establish pension boards no later than the 1<sup>st</sup> April 2015, to provide oversight over compliance with these regulations. As such, terms of reference were constituted by the Full Council for the Local Government Pension Board and the Fire Fighters Pension Board during the January 2015 and February 2015 sessions respectively. The Pension Fund Committee also have an approved terms of reference in place which forms part of the Council's constitution.

A review has been performed by the Technical Finance Manager to ensure that board/committee terms of reference are in line with the duties and responsibilities required by the Council, as specified by relevant pension scheme regulations. Going forward, given the consequences of LGPS fund pooling investments, as identified within the Chancellors Summer Budget 2015, the Council will need to reconsider the responsibilities of each board/committee.

### **Membership and voting rights**

The current structure and membership of both the LGPS Pension Board and the Pension Fund Committee was in line with their terms of reference and good practice guidance. The LGPS Pension Board is equal in respect of the number of employee and employer members in line with guidance, comprising of four members in total: a participating employer representative, an admitted body representative, a pensioner member and an active member. Membership of the Pension Fund Committee is detailed on the Council's website, however only the seven elected members are shown, not the non-voting employee and admitted body representative. This oversight is raised as an **advisory** finding.

Although the terms of reference have been constituted for the Fire Fighters Pension Board, at the time of this review membership of the board had not been finalised nor had the board met. The remit of the Pension Fund Committee was extended during November 2015 to also cover the Fire Fighters Pension Schemes in respect of the duties and responsibilities outlined in the Governance Structure section above, before this time being overseen by the Full Council. This has been raised as a **medium risk** finding.

Through inspecting the terms of reference for the LGPS Pension Board and the Fire Fighters Pension Board, we found that the policy on voting rights was clear and transparent, with rights given to each member. However, although voting rights for Council committees are explained elsewhere within the Council's constitution, within the Pension Fund Committee's terms of reference it does not clearly justify the reason for not extending voting rights to the non-elected committee members. This is raised as a **low risk** finding.

### **Board and committee operation**

Both the LGPS Pension Board and the Pension Fund Committee meet quarterly, with the dates of meetings synchronised so that the LGPS Pension Board sits the month after the Pension Fund Committee. From our review of the minutes we concluded that the performance of the LGPS investment fund is robustly analysed by the Pension Fund Committee. As raised above, the Fire Fighters Pension Board did not meet during the year as membership has yet to be finalised. However this scheme is unfunded meaning there are no investment funds that require scrutiny.

Through a review of papers and minutes and a series of interviews with key personnel, we considered whether reports presented to the LGPS Pension Board and the Pension Fund Committee were appropriate and meet member requirements. It was highlighted to us that reports were useful, allowing members to discharge their responsibilities fully. It was noted that on a national level the Council are seeking clarification who pension boards are reportable to, for example to Full Council themselves, or perhaps to a local government or pensions regulator. At present, officers are involved in supporting the operation of the committee, for example by preparing papers. However going forward, once the relationship has been clarified, the Council should consider the independence implications of the outcome in relation to the operation of both the LGPS Pension Board and the Fire Fighters Pension Board.

### **Policies and training**

For elected members, policies on training, facility time and the reimbursement of expenses are covered as part of the Council's constitution. However, there are no such policies in place which cover the other representatives who may sit on the Pension Fund Committee, LGPS Pension Board and the Fire Fighters Pension Board. As a consequence, the LGPS Pension Board is currently operating with no budget, however per Section 106 of the Local Government Pension Scheme Regulations, the expenses of a local pension board should be regarded as part of the costs of administration of the fund held by the administering authority.

Both the Pension Fund Committee and the LGPS Pension Board have put an annual work programme in place to ensure members receive training, holding sessions either before or during scheduled meetings. In respect of the Pension Fund Committee, we found that the training needs analysis had not been formally updated since July 2013.

A training needs analysis has not yet been undertaken for the LGPS or Fire Fighters Pension Boards. As new bodies, this is important to ascertain where development is needed. We have incorporated this issue and the issue directly above into a **medium risk** finding.

### **Publishing of governance arrangements**

The Pension Fund Committee have a dedicated section on the Council's website, where minutes, agendas, member information and details of forthcoming meetings are available for stakeholders. In addition to this there is a comprehensive pension's service section providing information to current, past and pensioner members as well as various forms and leaflets. Fund reports are also published, including the LGPS pension fund annual report, triennial valuation reports and pension strategies and policies. However, it was noted that this section of the Council's website is not directly linked to the Pension Fund Committee section. Furthermore, the Council's website does not clearly explain how stakeholders can express an interest in wanting to be part of governance arrangements, although sufficient information is provided in general in respect of the Isle of Wight Council Pension Scheme.

In addition to these points, the pensions services section of the Council's website focuses on the Local Government Pension Scheme, however does not provide any information in relation to the Fire Fighters Pension Scheme. Although the fund report is included within the Council's annual accounts, this is not signposted to stakeholders and therefore sufficient information is not made available to stakeholders. On the pension's services section, we noted several documents links as part of the 'Fund Reports' page to be out of date/superseded. We have incorporated these issues into a **low risk** finding.

We would like to thank Jo Thistlewood, Councillor Ivor Warlow, Paul Wilkinson and Jennifer Beresford for their involvement in this review.