



Purpose: For Decision

## Committee report

Committee	<b>PENSION FUND COMMITTEE</b>
Date	<b>18 MAY 2018</b>
Title	<b>APPROVAL OF THE GOVERNANCE COMPLIANCE STATEMENT: YEAR ENDED 31 MARCH 2018</b>
Report of	Technical Finance Manager

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### EXECUTIVE SUMMARY

1. This report presents the governance compliance statement for the Isle of Wight Pension Fund (the fund) as at 31 March 2018. It demonstrates how the fund complies with expected governance standards as set out in the Pension Regulator's Code of Practice 14 *Governance and administration of public service pension schemes*.
2. The compliance statement reviews the current operation of the governance framework against the fund's governance policy, which was revised and adopted by the committee in November 2017.
3. The Pension Board has reviewed the statement to update the compliance status for current practice. On recommendation from the board, the committee is asked to approve the compliance statement, and authorise its publication within the annual report and accounts of the fund for the year ended 31 March 2018, and separate publication on the fund's web pages.

### BACKGROUND

4. Governance is how authorities ensure that they do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, culture and values by which local government bodies are directed and controlled, and through which they account to, engage with and where appropriate lead their communities.

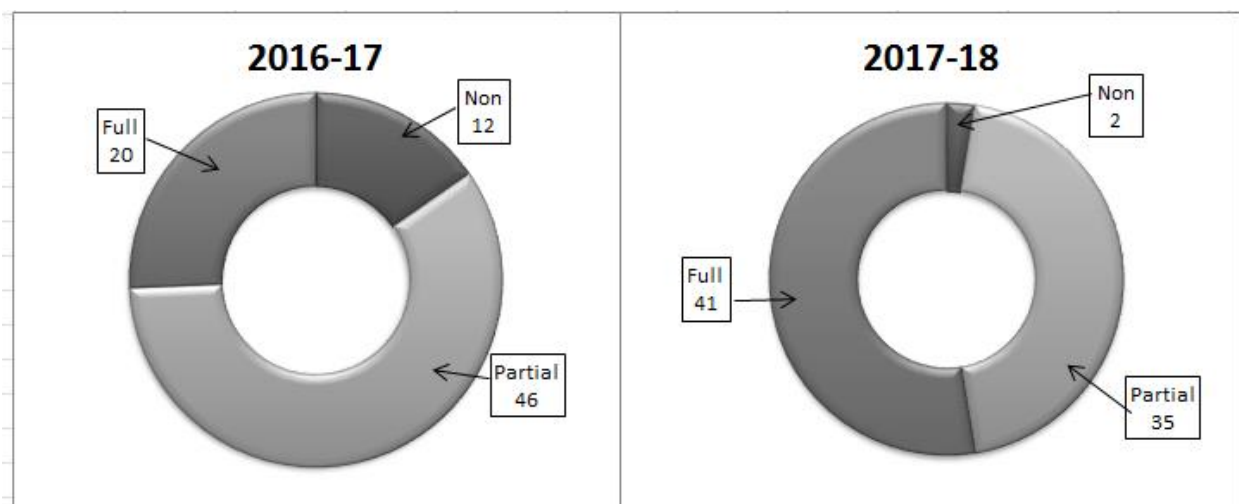
5. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme (LGPS) Regulations 2013 as “a [local authority] required to maintain a pension fund under the local government pension scheme regulations”.
6. The governance compliance statement required by Regulation 55 must set out whether the authority delegates any part of their pension fund to a committee, sub-committee or officer, and if it does so then it must record the frequency of meetings, terms of reference and whether there is employee representation with or without voting rights. If they delegate, the statement must record:
  - the frequency of committee or sub-committee meetings.
  - the delegation’s terms of reference, structure and operational procedures.
  - whether the committee or sub-committee includes representatives of employing authorities or members, and if so, whether these representatives have voting rights.
  - and details of the terms, structure and operational procedures relating to the local pension board established .
7. The governance compliance statement must also record the extent to which the delegation (or absence of a delegation) complies with the secretary of state’s guidance and, to the extent it does not comply, the reasons for not complying.
8. In preparing the statement, the administering authority must consult with such persons as they consider appropriate. The statement requires authorities to consider the adoption of annual training plans for committee members and maintain a log of training undertaken. When published or revised, a copy of the statement must be forwarded to the secretary of state.

## COMPLIANCE STATUS

9. This is the second year that the governance compliance statement is presented in the current format, based on a template provided by the fund’s governance consultants, Hymans Robertson LLP.
10. The compliance statement measures the governance of the fund in the ten key areas listed below, across a total of 78 compliance statements:
  - General requirements.
  - Knowledge and understanding.
  - Conflicts of interest.
  - Publishing information.
  - Internal controls.
  - Record keeping.
  - Maintaining contributions.
  - Member communication.

- Internal dispute resolution process.
- Breaches of the law.

11. The pension board has assessed that there have been significant improvements in governance standards over the last 12 months, as demonstrated in the graphs below:



12. Significant improvements have been made through the adoption of new terms of reference for both the Pension Fund Committee and the Pension Board, the continuing development of a training programme for pension board members, linked to the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework, and the adoption of policies for reporting breaches of the law to the Pensions Regulator and complaints and dispute resolution.
13. The two remaining areas of non-compliance both relate to knowledge and understanding: the lack of a formal policy about this and the development of pre-appointment training and mentoring for board and committee members.
14. As committee members are aware, the fund has commissioned a review of its governance framework from Hymans Robertson LLP, the results of which will be discussed at a development session to be held following this meeting.
15. An action plan will be developed from the outcomes of the review, which will contribute to further improvements in compliance standards over the next 12 months.

## STRATEGIC CONTEXT

16. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and

that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

17. Having appropriate governance processes in place ensures that all decisions made in respect of the pension fund are sound, based on appropriate advice and guidance, in order to meet the primary objective above.

### CONSULTATION

18. In preparing the statement, the Regulations state that the administering authority must consult with such persons as they consider appropriate
19. The Pension Board has been actively engaged in the review and update of the governance compliance statement, through formal and informal meetings. At their meeting on 24 April 2018, the final governance compliance statement was discussed and agreed. The board recommended the statement for adoption by the committee.

### FINANCIAL / BUDGET IMPLICATIONS

20. There are no direct financial implications relating to the review and revision of the governance compliance statement.
21. The fund will be supported in the delivery of improvements in its governance standards by its governance consultants, Hymans Robertson LLP. The costs of such support will be borne by the pension fund, with no direct impact on the council's budget.

### LEGAL IMPLICATIONS

22. Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2014 requires each administering authority (after consultation with interested parties) to keep its adopted governance compliance statement under review and publish the statement.

### EQUALITY AND DIVERSITY

23. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
24. There are not considered to be any equality and diversity implications from the approval of this statement.

## RISK MANAGEMENT

25. Following the enactment of the Public Service Pensions Act 2013, and the introduction of the Pensions Regulator's Code of Practice no. 14, there has been greater public scrutiny of the governance and administration of public service pension funds, including the LGPS.
26. It is the responsibility of the Isle of Wight Council, as administering authority, to ensure that the Isle of Wight Pension Fund is properly managed, governed and administered in compliance with relevant regulations and other requirements.
27. Should the council, as administering authority, fail to ensure appropriate standards of governance and administration of the pension fund, the Pensions Regulator has the powers to issue an improvement notice under section 13 of the Pensions Act 2004. This would have reputational issues for the council and the pension fund.
28. Improvements in the standards of governance and administration for the fund will be monitored by the Pension Board and progress reported to the committee.

## RECOMMENDATION

29. That the committee approves the governance compliance statement for the year ended 31 March 2018, and authorise its publication within the annual report and accounts of the fund for the year ended 31 March 2018, and separate publication on the fund's web pages.

## APPENDICES ATTACHED

30. [Appendix 1: Governance Compliance Statement 2017-18.](#)

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