



PAPER D

Purpose: For Decision

Committee report

Committee	PENSION FUND COMMITTEE
Date	13 JULY 2018
Title	GOVERNANCE REVIEW ACTION PLAN
Report of	Technical Finance Manager

EXECUTIVE SUMMARY

1. This report summarises the recommendations arising from the recent governance review, completed by Hymans Robertson LLP, and presents the high level action plan to address those recommendations.
2. Members are asked to agree the proposed action plan, and note progress made to date. Updates on progress will be provided at future committee meetings, as appropriate.
3. One of the recommendations is to increase the number of committee meetings in the next 12 to 18 months in order to address the increasing business of the committee. Members will be asked to agree the dates of additional meetings in the current financial year.

BACKGROUND

4. At a briefing session following the pension fund committee meeting in May 2018, Ian Colvin from Hymans Robertson LLP presented the outcomes of the governance review undertaken between February and April 2018.
5. There were 11 recommendations from that review – these are set out in appendix 1 to this report. The recommendations have been discussed with the chairman of the committee, the pension board and the director of finance.
6. A draft action plan has been prepared, and is attached as appendix 2 to this report.
7. A telephone call has been held with the governance consultants, to discuss how momentum can be maintained in improving the governance framework for the fund. Two recommendations can be addressed quite quickly:

Review recommendation 7: Administration strategy

8. The fund has obtained a copy of an administration strategy from a neighbouring fund, with agreement from that fund that we can adapt their strategy for our purposes.
9. It has been agreed that council officers will draft a strategy for the Isle of Wight Pension Fund, based on this template, and that Hymans Robertson will review the draft before it is presented to the board and committee for approval in advance of consultation with employers and other stakeholders

Review recommendation 8: Communications strategy

10. It has been agreed that Hymans Robertson will draft a communications strategy for the Isle of Wight Pension Fund, based on their experience with other funds. Fund officers will then review the draft in advance of presentation to the board and committee for adoption.
11. Once the strategy has been drafted, the council's internal communications and engagement team have been asked to assist in the review of the strategy, and to work with Hymans Robertson in developing a formal communication plan including the most appropriate methods of communication for each activity.
12. As well as the formal communications strategy and plan, significant progress has been made with the fund's bespoke website.

ADDITIONAL COMMITTEE DATES

Review recommendation 6: Decision making - structure

13. The governance report recommended that consideration be given to creating an investment sub-committee to support the committee and ensure that investment opportunities arising from engagement with the ACCESS pool could be exploited.
14. At the briefing session following the last committee meeting, this issue was discussed, and it was agreed that it would be preferable in the short term to increase the number of committee meetings, with alternate meetings specifically focused on investment and funding business. This would be simpler in terms of constitutional arrangements, and more inclusive in giving all committee members the opportunity to engage in investment matters, as well as governance and administration business.
15. The calendar of council meetings has been reviewed to ensure that, wherever practicable, members are not overwhelmed by the number of meetings in any one week, and that democratic support services are available.
16. The following additional meeting dates are proposed, to focus on investment and funding business:
 - Friday 14 September 2018.
 - Friday 11 January 2019.
 - Friday 5 April 2019 (tentative).

17. Members are asked to agree these additional dates for investment and funding focused committee meetings.
18. The current proposed work plan for the committee and pension board, presented as appendix 3 to this report, assumes that additional meetings will be agreed, to be held in a similar schedule to the above proposed dates.

Review recommendation 1: Clarity of objectives

19. In order that the future work of the committee and board can be effectively determined, and to support planning for the forthcoming triennial valuation of the fund (March 2019), including the revision of the fund's funding and investment strategies, the first recommendation from the governance review was that the fund reassess its overarching objectives.
20. It is proposed that this is achieved by running a series of workshops for committee and board members, facilitated by external advisers as appropriate, to cover funding and investment issues, governance and administration objectives and the fund's risk appetite.
21. Following the development session on 18 May, feedback from attendees suggested that future development sessions would be better attended if they were held on the same day as pension committee meetings, as members would already be in County Hall for those meetings.
22. To that end, and subject to the agreement of additional meeting dates above, the following workshops are proposed to run in the afternoon following committee meetings:
 - 14 September (NEW DATE): Funding and investments workshop.
 - 23 November (EXISTING): Governance and administration workshop.
23. It is proposed that the initial workshops would include an element of training on the matters to be covered, consideration of a draft set of objectives prepared by the governance consultants, and concluding with a set of recommendations for decisions to be approved at the next formal committee meeting.
24. Members are asked to agree the format of the workshops, including the timing and content.
25. Additional workshops will be arranged following these initial events, once the overarching objectives of the fund have been discussed. A range of topics can be considered for these future workshops, including the fund's risk appetite, considerations of ethical, social and governance risks and responsible investing, and technical briefings on, for example, triennial valuations, investment asset classes, and administration standards.

STRATEGIC CONTEXT

26. 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 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.
27. Good governance arrangements are essential to the delivery of the council's services. Having an appropriate governance framework in place will improve the standards of governance for the pension schemes for which the council has responsibility.

FINANCIAL / BUDGET IMPLICATIONS

28. Implementing additional meetings for the pension fund committee will not directly incur additional costs, as the additional work for democratic services and pension fund officers will be built into existing work plans.
29. The costs for external facilitators for workshops following pension fund committee meetings will be evaluated against baseline prices quoted in the supplier submissions for each of the services awarded. These costs will be charged directly to the pension fund, rather than impacting on the council's budget.
30. An element of the business planning recommendation (recommendation 2) from the governance review is that a budget for the pension fund is created. The proposed costs of the workshops will be included in the budget, and will be evaluated to ensure value for money is achieved for the fund.

LEGAL IMPLICATIONS

31. The Public Service Pensions Act 2013 gave greater responsibilities to the Pensions Regulator for the oversight of public service pension schemes, including the Local Government Pension Scheme.
32. The Pensions Regulator's code of practice no 14 *Governance and administration of public service pension schemes* sets out the legal requirements for public service pension schemes in respect of the governance of those schemes.

EQUALITY AND DIVERSITY

33. 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.
34. Agreeing to additional committee meetings and undertaking workshops following the review of the pension fund's governance framework to formulate objectives, and drive the future work programme of the committee and pension board is not anticipated to have any direct impact on any of the protected characteristics.
35. The creation of new policies or processes as a result of the review, including the communications and administration strategies mentioned above, will result in impact assessments being carried out as they are presented for approval.

OPTIONS

36. There are three elements of recommendation from this report:
 - (a) Action plan.
 - (b) Additional committee meetings.
 - (c) Workshop timing.

Action plan:

37. Members are asked to approve the action plan, note progress to date and request future updates.

Committee meetings:

38. Option 1: Members are asked to agree the proposed dates (14 September 2018, 11 January 2019 and 5 April 2019 (tentative)) for additional full committee meetings to focus on investment and funding matters.
39. Option 2: Members are asked to suggest and agree alternative dates for additional full committee meetings to focus on investment and funding matters.
40. Option 3: Members do not agree to additional full committee meetings to focus on investment and funding matters, and determine how all the business of the committee can be delivered within the existing planned meeting schedule of the committee.

Workshops:

41. Option 1: Members agree that workshops to discuss and agree objectives for the fund be held on the same day as committee meetings.

42. Option 2: Members agree that workshops to discuss and agree objectives for the fund be held on separate dates. Members are asked to propose alternative dates for these workshops.

RISK MANAGEMENT AND EVALUATION

43. Failure to ensure that the highest governance standards are met could lead to the following risks:
- Poor or less than optimal decision making within the fund, as the knowledge and skills of individuals making decisions is not adequate.
 - A lack of clear objectives may lead to elected members, pension board members or officers spending time and resource in areas that are not of strategic importance.
 - An inability to evidence high standards of governance may bring the fund to the attention of the Pensions Regulator, who if dissatisfied has the power to fine the fund.

Action plan

44. Approving the action plan and requesting future updates will ensure that the project to continually improve the governance arrangements for the fund will maintain momentum.
45. Failure to comply with the action plan could result in lower governance standards, with the underlying risks as set out in paragraph 43 above.

Committee meetings

46. Members have acknowledged the agendas for recent committee meetings have been very full, which has resulted in restricted discussion of certain items.
47. It has also been acknowledged that, at least in the next 12 to 18 months, there is a lot of work which will need to be undertaken, including progressing the ACCESS pooling agenda, taking forward the governance review and planning and executing the forthcoming triennial valuation.
48. If additional meetings are not held, then future agendas will continue to be very full, leading to risks that meetings may become unproductive, and that the business of the fund will not be adequately covered.
49. The original recommendation from the governance review was to consider creating an investment sub-committee to consider investment and funding issues. Following discussion at the briefing session on 18 May 2018, this recommendation has been amended to having additional meetings of the full committee, rather than creating a separate sub-committee.
50. This has been done to reflect that these additional meetings should only be required for a limited period of time, and to reduce the amount of

constitutional change that will be required, including creating terms of reference for a sub-committee, agreeing membership proportionality, and reporting requirements to the full committee.

51. The current proposed dates of 14 September 2018, 11 January 2019 and 5 April 2019 (tentative), have been selected following a review of other planned council meetings, to ensure that workloads of both elected members and officers are not overwhelmed.
52. These proposed dates are not yet “set in stone”. Should members determine that they are not appropriate, alternative dates can be considered, bearing in mind the existing commitments of both elected members and officers.

Workshop timing

53. Workshops outside of formal committee meetings have the advantage of encouraging open discussion of matters, allowing a variety of opinions to be expressed in a private forum, with the agreed outcomes being taken forward as formal recommendations to subsequent committee meetings.
54. Arranging workshops on the same day as committee meetings may assist in promoting attendance, as members will already be in County Hall on that date.
55. Conversely, there is the risk that, having fully engaged with committee business in the morning, participation in an interactive workshop in the afternoon may reduce.
56. Arranging workshops on different dates will increase the commitment required from both elected members and officers, adding further pressure to already crowded work schedules.
57. Not holding additional workshops at all, and adding these discussions as additional agenda items within formal committee meetings may restrict open discussions, and will compound existing issues of overly busy meetings.

RECOMMENDATIONS

Action plan:

58. Members are asked to approve the action plan, note progress to date and request future updates.

Committee meetings:

59. Option 1: Members are asked to agree the proposed dates (14 September 2018, 11 January 2019 and 5 April 2019 (tentative)) for additional full committee meetings to focus on investment and funding matters.

Workshops:

60. Option 1: Members agree that workshops to discuss and agree objectives for the fund be held on the same day as committee meetings.

APPENDICES ATTACHED

61. [Appendix 1](#) – recommendations from governance review.
62. [Appendix 2](#) – draft action plan.
63. [Appendix 3](#) – current committee work plan.

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