

**Isle of Wight Council Pension Fund
Governance Review Report
Progress against recommendations at 12 November 2018**

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.

In summary:

		Current status	Previous status
RECOMMENDATION 1: Clarity of objectives	↔	On track	On track
RECOMMENDATION 2: Business planning	↓	Minor lag	On track
RECOMMENDATION 3: Delivery - governance	↓	Minor lag	On track
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	↔	On track	On track
RECOMMENDATION 8: Decision making – communication	↓	Minor lag	On track
RECOMMENDATION 9: Decision making – training	↔	On track	On track
RECOMMENDATION 10: Pooling – governance	↔	On track	On track
RECOMMENDATION 11: Pooling – reporting	↔	Major lag	Major 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: GREEN on track

Direction of travel: ↔

Action to date

First workshop on funding and investment objectives was held following the pension fund committee meeting on 14 September 2018, attended by six committee members, three board members and two officers.

The workshop was facilitated by Hymans Robertson (investment consultants, actuarial advisers and governance consultants)

Feedback has been provided to Hymans, who are drafting a framework from which to commence the review of the fund's investment strategy.

Future action

Second workshop, on governance and administration objectives, to be held following pension fund committee meeting on 23 November – again facilitated by Hymans Robertson (governance and benefits consultants).

Output from first workshop, including work programme for review of fund's investment strategy and valuation, to be presented to January 2019 pension fund committee.

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 to date

Workplan for the committee and board for the period to 31 March 2020 has been developed and is presented at each board and committee meeting.

<https://www.iow.gov.uk/Meetings/committees/Pension%20Board/12-6-18/PAPER%20E%20-%20Work%20Plan.pdf>

CIPFA pension administration benchmarking report has been received, but has not yet been analysed and interpreted.

The draft budget for 2018-19 was not presented to the pension board at its meeting on 23 October, due to other work commitments.

Future action

2019-20 budget will be presented to board in January 2019, for approval by committee.

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: **AMBER minor lag**

Direction of travel: ↓

Action to date

As part of overall finance team restructure, approval has been given to recruit a senior accounting technician post within the technical finance team.

Five applications were received, of which three were shortlisted for interview, although one withdrew before interview. Unfortunately, neither candidate was appropriate for the post, so no appointment was made.

Future action

Review of post to be undertaken in late November, with a view to re-advertising. However, due to workloads, it may be that recruitment is delayed until after year end accounts have been prepared.

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: ↔

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 to date

Continued close working between technical finance team and pension administration team. CIPFA pension administration benchmarking report has been received but not yet analysed. This will help to understand efficiency of the current service in relation to other pension funds who participate in the review.

Future action

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 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: GREEN on track

Direction of travel: ↔

Action to date

Example administration strategy obtained from Hampshire Pension Fund, which has been adapted for Isle of Wight.

Draft has been reviewed by technical finance and pension administration teams, and comments have been incorporated from a review by Hymans Robertson governance consultants.

Draft administration strategy issued for consultation with fund employers, including schools, committee and board members on 30 September 2018 – 9 comments received (from 100 consultees)

Comments from consultation incorporated into presentation of draft strategy to pension board meeting on 23 October 2018, where recommendation to committee was agreed.

Future action

Administration Strategy to be adopted by pension fund committee at meeting on 23 November 2018.

Formal launch.

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: AMBER minor lag

Direction of travel: ↓

Action to date

Draft communication strategy has been provided by Hymans Robertson, to be reviewed.

Website has been developed by Hymans Robertson, all content has been approved – new website put live on 2 November – drip feed launch at present.

Future action

Issue draft communication strategy for consultation with internal communications and media team, pension administration team, pension committee and board members – 30 November 2018

Comments from consultation to be incorporated into presentation of draft strategy to pension board meeting on 12 January 2019, for onward recommendation to committee

Communications Strategy to be adopted by pension fund committee at meeting on 08 February 2019.

Formal launch and development of communication plan.

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 to date

Committee and board members completed knowledge and skills self-assessment questionnaire in November 2017.

Pension board has developed a training recording system, which is being completed by individual members, and reported back to each board meeting.

Draft report on training planned within existing committee and board work schedules has been prepared and discussed with the Pensions Regulator and has been shared with chair of pension board.

The Pensions Regulator delivered a briefing session to pension board and committee members on 7 November 2018 on their expectations of knowledge and understanding requirements for board members. Attended by all board members (both LGPS and Fire), four committee members, and seven officers.

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 to date

Chair and vice-chair of pension committee continue to be actively engaged with ACCESS joint committee meetings.

Reporting to each committee and board meeting on progress with ACCESS

<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/14-9-18/PAPER%20E%20-%20Covering%20Report%20-%20ACCESS.pdf>

Future action

ACCESS have developed a decision matrix setting out responsibilities for decisions to be taken at pool level and at individual authority level. Once finalised, filter to determine local responsibilities, and confirm suitability of current terms of reference.

Terms of reference for pension fund committee and board to be formally reviewed in February 2019.

