

**Isle of Wight Council Pension Fund
Governance Review Report
Progress against recommendations at 29 January 2019**

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.

This report sets out progress made on each of the 11 actions since the last update provided dated 12 November 2018.

In summary:

		Current status	Previous status
RECOMMENDATION 1: Clarity of objectives	↑	On track	On track
RECOMMENDATION 2: Business planning	↔	Minor lag	Minor lag
RECOMMENDATION 3: Delivery – governance	↔	Minor lag	Minor lag
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	↑	Achieved	On track
RECOMMENDATION 8: Decision making – communication	↑	On track	Minor lag
RECOMMENDATION 9: Decision making – training	↔	On track	On track
RECOMMENDATION 10: Pooling – governance	↑	On track	On track
RECOMMENDATION 11: Pooling – reporting	↑	Minor 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 since last update

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).

Future action

Output from first workshop held in September 2018, including work programme for full review of fund's investment strategy and valuation, presented to 29 January 2019 pension fund committee.

Proposed amendments to the investment strategy statement in respect of updated objectives presented to and approved at 29 January 2019 committee meeting. Publication on website in progress.

Output from second workshop held in November 2018 to be presented at 8 February 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 since last update

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 March 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 since last update

Due to other work pressures and annual leave, no further actions have been progressed towards recruitment.

Future action

Review of post to be undertaken during Q4 2018-19, with a view to re-advertising 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 since last update

Continued close working between technical finance team and pension administration team.

Future action

Review of output from governance and administration objectives workshop to determine committee and board members’ expectations of service standards.
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 5: Risk management

The fund should create a risk management policy, setting out:

- its risk philosophy for the management of the fund;
- its appetite for risk;
- how risk management is implemented;
- roles and responsibilities for the management of risk;
- key controls to be operated by those with responsibility for managing the fund.

Following on from the creation of its risk policy the current issues log should be developed into a full risk register.

This revised risk register, or alternatively a highlight version, should then become a standing item at future Committee and Board meetings.

Status: **AMBER minor lag** **Direction of travel:** **↑**

Detailed work has not yet started on this recommendation, as it will follow on from workshop activities in response to recommendation 1, and the review of the fund’s funding and investment strategies.

Action since last update

Elements of risk covered in investment and funding objectives workshop to be fed back to committee on 11 January 2019, incorporated into revised investment and funding beliefs and objectives.
Proposed changes to Investment Strategy Statement include revised objectives and beliefs, which can be expended upon in risk management section.

Future action

Further review of investment and funding risks as part of valuation planning.

Review of operational risks as part of feedback from governance and administration workshop.

Development of risk management policy, adapting resources already available from Isle of Wight Council.

Ongoing monitoring and review of issues logs.

RECOMMENDATION 6: Decision making – structure

Consideration should be given to putting in place an investment sub-Committee, to support the work of the Pension Committee and to ensure the Administering Authority is more able to exploit the wider opportunities and strategies the Fund will be exposed to as part of the ACCESS pool.

Status: **ACHIEVED**

Direction of travel: **↑**

Future action

2019-20 corporate calendar incorporates additional investment focused meetings.

Monitor effectiveness of committee meetings in this format.

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: **ACHIEVED**

Direction of travel: **↑**

Action since last update

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

Launched by email to employers on 28 November 2018.

Future action

Monitoring of compliance

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: **GREEN On track**

Direction of travel: **↑**

Action since last update

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

Launched to employers on 27 November, via email for onward distribution to scheme members.

Article published in "The Vine" for internal scheme members on 30 November.

Usage statistics provided by Hymans, showing 243 unique visitors in November and 163 unique visitors in December.

Draft communication strategy for consultation with internal communications and media team, pension administration team and finance team during January 2019.

Future action

Presentation of draft strategy to informal pension board meeting on 1 February 2019, for discussion and compliance with regulatory requirements.

Communications strategy to be adopted by pension fund committee at meeting in February 2019.

Discussions to develop communications plan will be held following adoption and formal launch.

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 since last update

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.

Letter received from the Pensions Regulator on 22 January 2019, formally closing their file on knowledge and understanding issues.

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 since last update

ACCESS joint committee meeting 10 December 2018 was presented with a revised governance manual, which set out in more concise format the arrangements for the pool.

Future action

Section 151 officers and monitoring officers from each of the ACCESS funds will review governance documentation for the pool in late January 2019 or early February 2019, for recommendation to March 2019 ACCESS joint committee meeting.

Governance training for all involved with ACCESS (joint committee, s151 officers, officer working group and ACCESS support unit) scheduled for March 2019

Terms of reference for pension fund committee and board to be formally reviewed, subject to potential changes from ACCESS governance documentation.

RECOMMENDATION 11: Pooling – reporting

Ensure the fund receives regular reporting from ACCESS on both manager selection and performance, holding ACCESS to account and ensuring that the best interests of the Isle of Wight Pension Fund's interests are satisfactorily met.

Status: **AMBER Minor lag** **Direction of travel:** **↑**

This work will primarily be driven by the ACCESS pool itself.

Action since last update

The first sub-fund has been launched, and first investments made during November 2018. First investment reporting (in respect of November) received during December 2018, and will be reviewed at ACCESS Officer Working Group meeting in January 2019

Future action

Understanding of reporting pack.

Continued involvement in working groups, including one on 30 January 2019.

First sub-fund involvement for Isle of Wight Pension Fund likely to be in May 2019, so revised processes to be developed before then.