

Isle of Wight Council Pension Fund Governance Review Report Progress against recommendations at 30 May 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 28 January 2019.

In summary:

		Current status	Previous status
RECOMMENDATION 1: Clarity of Objectives	↔	Achieved	Achieved
RECOMMENDATION 2: Business Planning	↔	Minor lag	Minor lag
RECOMMENDATION 3: Delivery – Governance	↑	On track	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	↔	Achieved	Achieved
RECOMMENDATION 8: Decision Making – Communication	↔	Achieved	Achieved
RECOMMENDATION 9: Decision Making – Training	↑	On track	On track
RECOMMENDATION 10: Pooling – Governance	↑	On track	On track
RECOMMENDATION 11: Pooling – Reporting	↑	On track	On track

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: **ACHEIVED**

Direction of travel: ↔

Action since last update

Objectives agreed at April 2019 pension fund committee meeting.

Future action

Work plans for both committee and board to be refined, and each item cross-referenced to outcome against agreed objectives.

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

Draft financial results provided to pension fund committee at May 2019 meeting
Detailed financial information for year ended 31 March 2019 to be presented to pension board on 18 June.
Discussions held with s151 officer about business planning, resource requirements, etc.

Future action

2019-20 budget development still in progress.
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 potential 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: **GREEN on track**

Direction of travel: ↑

Action since last update

Post advertised as part of wider finance recruitment exercise (8 posts in total).
Closing date 31 May 2019 – 20 applications received.
Interviews planned for 12 June 2019.

Future action

Appointment and induction of new postholder.
Linking into good governance survey and business planning – review of programme for fund work, and resource requirements.

RECOMMENDATION 4: Delivery – Administration

The Council review the current structure around the pension's 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.

Review of CIPFA guide *Administration in the LGPS* to ensure efficient and effective service is provided.

Completion of CIPFA pensions administration benchmarking, and analysis of results.

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

Investment Strategy Statement revised to include agreed objectives and beliefs, and risk management section expanded accordingly.

ESG/RI workshop held 17 May 2019, to inform consideration of these risks.

Workshop for Risk Management planned for 6 September 2019.

Future action

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

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

Redesign (potential separation) of risks and issues logs, and reimplementation of monitoring.

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

Review of Inter Authority Agreement delayed by pool – monitoring officers webinar scheduled for 12 June 2019.
Joint Committee meeting 11 June 2019 will agree revised timetable for implementation.

Future action

Governance training for all involved with ACCESS (joint committee, s151 officers, officer working group and ACCESS support unit) has been deferred.
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: **GREEN on track** **Direction of travel:** ↑

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

Action since last update

Annual report and accounts – consistent message prepared for all funds.
First transition into pool completed on 7 May 2019.

Future action

Understanding of reporting pack.
Review of current internal processes once first quarterly report from ACCESS received for new investment.
Continued involvement in working groups.