

Annual Report of Isle of Wight Pension Board for 2019-2020

1 Constitution, Representation and Attendance

- 1.1. The Local Pension Board (the board) of the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in section 4 of the Public Service Pensions Act 2013) is established under s.5 of that Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2. The Board is established by the Administering Authority and operates independently of the Isle of Wight Pension Fund Committee (the committee).
- 1.3. The Board is not a committee constituted under section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the Constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly provided.
- 1.4. The board is accountable to the Scheme Manager and the Pensions Regulator.
- 1.5. The Board operates under terms of reference which were initially agreed by Isle of Wight Council (the council) in January 2015 and held its first meeting on 14 August 2015.
- 1.6. The current terms of reference are published as Article 11 to the council's [Constitution](#).
- 1.7. The terms of reference have been reviewed, and a revised version will be presented to the September 2020 meeting of Isle of Wight Council, as part of the revised Constitution.
- 1.8. The terms of reference remain fit for purpose and comply with the legislative and regulatory requirements, and fully comply with the Pensions Regulator's Code of Practice 14.
- 1.9. The board currently has four members: two representatives of scheme employers, and two representatives of scheme members, all of whom are voting members.
- 1.10. The revised terms of reference allow the board to consist of a minimum of four and a maximum of eight members, and include a provision for the board to appoint an Independent Chair. These membership changes will be progressed during 2020-21.
- 1.11. The board was scheduled to meet on four occasions during the year, but actually met on five occasions 2019-20. Attendance at each meeting is detailed in the table below:

Member	Representation category	24-Apr-19	18-Jun-19	17-Sep-19	19-Nov-19	28-Jan-20
Tracy Bull (Chair)	Employer	√	√	√	√	√
Cllr Reg Barry	Employer	√	√	√	√	√
Barbara Milton	Scheme Member	√	√	√	√	√
Trevor Ould	Scheme Member	√	√	√	√	√

This represents an overall attendance record of 100%.

- 1.12. Pension board meetings are not required to be open to members of the public.
- 1.13. Agendas and minutes can be found at the following web link:
<https://www.iow.gov.uk/Meetings/current/committeeDetail.aspx?cmteld=187>
- 1.14. To facilitate the operation of the board, the all members are invited as observers to meetings of the Isle of Wight Pension Fund Committee (the Committee).

2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:
 - ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS);
 - ensure compliance with relevant laws and regulations.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend.
- 2.3 It sets its own agenda, and can be selective and probe particular topics in more depth than the committee with its wider range of statutory responsibilities.
- 2.4 As such, the general approach of the board is to seek assurances with evidence from the fund and external bodies that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.
- 2.5 It can commission its own reports, and where appropriate, makes recommendations to the committee and to officers.
- 2.6 In so doing, the board is helping manage the reputational risk of both the Isle of Wight Council Pension Fund (the fund) and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances board members, can be fined by TPR, who also has other powers available.
- 2.7 The Board is supported by the Technical Finance Manager and a Democratic Services Officer.
- 2.8 In 2019-2020 the direct costs of operating the board, covering travel and training expenses relating to board members amounted to £2,245 (£300 2018-19) .
- 2.9 These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the council's premises, systems or services recharged to the fund by the council.
- 2.10 The budget for 2020-21 is set at £3,500 (2019-20 budget was set at £2,000), and actual spend will be monitored against this. The budget is set at a level to show the boards' commitment to technical updating and training.
- 2.11 Mindful of delivering value for money, the board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 Overview

3.1.1 Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of boards by both TPR and the Scheme Advisory Board (SAB).

3.1.2 In 2019-20, the work of the board included:

- Review of the completed data quality project
- Review of triennial revaluation
- Review of employer compliance with the administration strategy
- Analysis of auto re-enrolment opt out
- Risk policy
- Monitoring of KPI's for review at each board meeting
- Monitoring of the governance review action plan
- Revision of terms of reference

3.1.3 The main elements of the work programme of the board are governance and oversight of the pension administration function, which is run by an in-house team.

3.1.4 The board had been following the governance action plan agreed in February 2018, with its recommendations and objectives. Its successes include reviewing and making recommendations to the committee on both the re-launched communications strategy and on the new administration strategy. These achievements help ensure compliance with the TPR's Code of Practice 14.

3.1.5 Paragraph 4 sets out further examples of how the board is endeavouring to help manage the reputational risk of the fund. Such a focus seeks assurances that the fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their efficient, accurate and timely supply of information and data is critical to the fund avoiding poor key performance indicators, but more fundamentally, avoiding breaches of the law, inaccurate data, inaccurate contribution rates and inappropriate investment decisions.

3.2 Risk management

3.2.1 While considerations of risk are included in all items considered by the board, there has been no formal risk register in place for the pension fund during 2019-20, although this was noted in 2018-19 as a key area for development in 2019-20.

3.2.2 Training was undertaken in September 2019 on risk registers and development of processes for assessing each risk and identifying mitigating actions to reduce the impact on the fund.

3.2.3 Due to the pandemic situation, work on the risk register will continue in 2020-21.

3.2.4 During 2020-21, the review of the risk register will become a standing item at board meetings, including consideration of cyber security and data protection issues.

3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Scheme on an ongoing basis and has, for example, highlighted delays across LGPS funds in producing annual benefit statements (ABS's).

- 3.3.2 The Board was pleased to note that the fund produced its ABS's by the due date in 2019, but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.
- 3.3.3 A key achievement of the board has been to commence, with the Technical Finance Manager, a continuous review of the fund against the standards and expectations as reflected in TPR's Code of Practice 14.
- 3.3.4 The assessment identifies areas in which the fund needs to make improvements.
- 3.3.5 The board monitors TPR's annual review of its priorities, and reflects these in agenda setting.
- 3.3.6 The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". In 2019-20, these were reported as :
- Common data 95% (2018-19 90%)
 - Scheme specific data 95% (2018-19 71%)
- 3.4 Reporting and Recording Breaches
- 3.4.1 The board, and all associated with the fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. Following the improved procedures implemented in the previous year, the board reviews any breaches of the law as a standing item on its agenda.
- 3.4.2 During 2019-20, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority.
- 3.5 Scheme Advisory Board (SAB)
- 3.5.1 The board monitors the focus and priorities of the SAB, takes them into account in setting its work programme, and also receives minutes of SAB meetings.
- 3.5.2 The SAB commissions periodic surveys of local pension boards. Whilst there was no survey during 2019-20, the fund did contribute to the Good Governance Survey (conducted by Hymans Robertson on behalf of the SAB).
- 3.6 Review of Investment Issues
- 3.6.1 Whilst the vast majority of the board's work programme focuses on administration and governance issues, investment issues are not ignored.
- 3.6.2 As expected under the relevant Investment Regulations, the board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the fund's Investment Strategy Statement.
- 3.6.3 The board continued to receive updates on progress by the ACCESS Pool on pooling of investment assets.
- 3.6.4 The board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

3.7 Scheme documents

- 3.7.1 The board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update.
- 3.7.2 The board pays particular regard to those standard documents which are sent to scheme members and has made recommendations regarding their content.

4 **Ensuring Compliance with Regulatory Deadlines.**

- 4.1 An increasing component of the board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations.
- 4.2 In all cases progress reports are received, with the board considering whether any recommendations are appropriate to help meet the deadlines.
- 4.3 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements and the submission of the Scheme Annual Return to the TPR. The fund complied with these deadlines.
- 4.4 On-going compliance of legislation, such as GDPR and MiFID II forms part of the work of the board.

5 **Training**

- 5.1 Each board member must be conversant with the details of the Scheme, which translates as having a good working knowledge.
- 5.2 The training policy for board members is based on an individual training needs analysis and is therefore being individually tailored.
- 5.3 This allows use of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework and TPR Toolkit.
- 5.4 In addition, board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference. (Board members attended various events in year, including the LGA Governance Conference, and various webinars).
- 5.5 Board members are encouraged to attend LGPS-focussed seminars/conferences each year. Training is often targeted to specific events, e.g. the Triennial Valuation 2019, and the General Data Protection Regulations.
- 5.6 Board Members also attend in-house training, provided by the council to both board and committee members, as well as viewing relevant webinars.

6 **Workplan**

- 6.1 A work plan has been implemented for both board and committee. Specifically, it incorporates the following areas of activity for 2020-21 for the board:
- Pension Fund Annual Report and Accounts
 - Administration, Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
 - Audit and risk management, including the Risk Register

- Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
- Investments, including developments with the ACCESS Pool: implications for Administering Authorities
- Training
- Member communications
- Participating in and learning from relevant surveys, e.g. of SAB and TPR
- Review of National Knowledge Assessment outcome – and build findings into the workplan
- Recruitment of additional members and independent chair of the Board.

6.2 There is flexibility to allow for any additional reviews and developments.

7 Public accountability

7.1 Board meeting agendas, papers, minutes and the board's terms of reference are available on the pension fund's website at the following address:

<https://www.isleofwightpensionfund.org/isle-of-wight-pension-fund/about-us/local-pension-board>

8 Thanks

8.1 The Chair of Isle of Wight Pension Board wishes to thank her fellow board members who have volunteered their time and energies in their roles.

8.2 Thanks are also expressed to the Technical Finance Manager and colleagues, and the Chair of the Pension Fund Committee, as well as the democratic support officers.

8.3 The Board has made good progress in 2019-2020 and is determined to continue this into 2020-21.

Tracy Bull
Chair
Isle of Wight Pension Board

June 2020